

**CITY-TO-CITY PARTNERSHIPS – FORGING STRATEGIC ALLIANCES THAT OFFER  
NEW GLOBAL BUSINESS OPPORTUNITIES**

*A Working Paper*

*by JC de Villiers (PhD), University of Stellenbosch Business School*

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**ACKNOWLEDGEMENT**

This Working Paper is the result of a recently completed PhD dissertation entitled “Strategic alliances between communities, with special reference to the twinning of South African provinces, cities and towns with international partners”. Although cities are playing an ever-increasing role in the global economy, research about the international relationships or alliances between them, and the drivers of the success of these alliances is virtually nonexistent.

This pioneering study aimed to identify the nature and extent of such relationships worldwide, and to identify possible factors involved in their success or failure.

In a city-to-city partnership, where an alliance is formed between communities (e.g. a sister-city partnership), the local business communities in both cities are important actors in extracting the potential value that is embedded in these relationships. Since an even greater paucity of research exists globally on the part played by the business sector in these relationships, the potential role and benefits for local businesses in these international alliances are explored in this Working Paper.



It has been said that business schools are often too local in their outlook and that their research emphasis focuses too strongly on functional-area silos. This Working Paper proves the contrary as it explores international relationships from a multidisciplinary perspective.

We thank Kosie de Villiers for a most valuable Working Paper and we trust that he will continue with his exploration of this interesting and potentially enriching topic. His work thus far has not gone unnoticed: on the strength of his PhD research, he was invited as a guest speaker to the 50<sup>th</sup> Anniversary Conference of Sister Cities International held in Washington D.C. in July 2006.

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*"Town twinning is an exceptionally valuable means of cooperation in that between two countries,  
it brings into contact not only local leaders but also whole populations."*

(Excerpt from United Nations General Assembly Resolution 2861 (XXVI) 20 December 1971)

*"It is being said that the twenty-first century will be the century of partnerships,  
involving central governments, local governments, civil society organisations and the private sector."*

(United Nations Development Programme, 2000: 6)

## **1. INTRODUCTION**

The purpose of this working paper is to share ideas about city-to-city partnerships and to explore the origins and opportunities that such alliance relationships have for the business sector in a world that is opening up to the forging of local relationships across international borders. Most people have heard about twin cities and sister-cities, but few have a deep understanding of these relationships and the opportunities they offer. Explanations of alliances and local international relations are firstly offered and then the history, benefits, as well as the importance of international relations at the local level are discussed. A brief overview of the situation in South Africa is then presented, also in relation to the business sector. The paper then concludes by exploring ways in which the business sector can extract more value from this important phenomenon and offers suggestions for successful engagement in the partnering process.

### **1.1 The importance of partnering**

Partnering and forming alliances have become vitally important in the network economy, so much so that the Booz Allen Consulting Group observes: "We are now in the early phases of a new era where cooperative business models will become dominant forces in the world economy" (Harbison, Pekar, Viscio & Moloney, 2000). The well-known management guru Peter Drucker articulated this development in an even stronger way by saying: "There is not just a surge in alliances but 'a worldwide restructuring' is occurring in the shape of alliances and partnerships" (Harbison *et al.*, 2000). But partnerships are not limited to the private sector only and according to the United Nations Development Programme (UNDP): "It is being said that the twenty-first century will be the century of partnerships, involving central governments, local governments, civil society organisations and the private sector" (UNDP, 2000: 6).

The need for such partnerships must also be seen in the context of global urbanisation, as the number of cities worldwide are growing rapidly and the World Bank estimates that the number of cities with populations in excess of 500,000 will grow from 500 in the year 2000, to more than 1,000 by 2015 (Campbell, 2006). Cities are also becoming larger, more powerful and all compete internationally with one another.

## 1.2 The role of business

So where does the business sector fit into a discussion on city-to-city partnerships? According to Sister Cities International: "Sister-city programs are unique in that they inherently involve the three main sectors in a community: local government, businesses, and a wide variety of citizen volunteers (civil society or non-profit organizations)" (SCI, 2003: 2). The business sector is thus a vital part of these international community-to-community linkages and can benefit substantially from participation in it. A city-to-city partnership can act as a platform to facilitate potentially profitable alliances between a business undertaking and its own local government, as well as with businesses in the partner city.

## 1.3 Local international relations

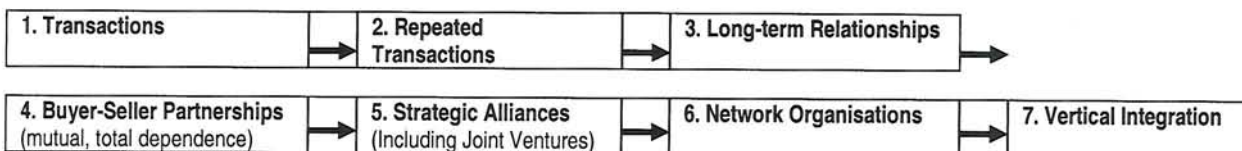
The name local international relationships may sound contradictory at first. But as international relations are forged at national level in a country, they are also forged on a local basis. At the same time, it may be asked where local international relations fit into the international relations framework of a country? *Diplomacy* is normally the domain of national governments and is about pursuing a defined state interest in the international arena. It is also called the "high" policy of diplomacy and concerns political, ideological or military issues in international relations. The "low" form of diplomacy, also called *paradiplomacy*, which is entered into by non-central governments (NCGs), includes cultural, economic, educational, and urban managerial exchanges. These include activities such as marketing, export promotion, or outward investment to promote the competitiveness and internationalisation of local companies (Hsu, 2003: 93). It may therefore be argued that there is no overlap between the interests of municipalities and national governments when it comes to international relations, and "Twinning is part of multi-layered international relations across all governmental levels. Its concern with low policy does not form a threat against the sovereign status of nation states nor does it become a waste of overlapping diplomatic resources" (Hsu, 2003: 197).

## 1.4 The strategic alliance

A city-to-city partnership and the resultant sub-linkages between its local government, civil society and businesses may also be thought of as a network of alliances that are formed. As a city-to-city relationship normally has a long-term aim, most of these alliances are strategic in nature.

The strategic alliance is a special form of relationship that goes beyond normal buyer/seller relationships. Webster (1992: 5), for instance, sees a strategic alliance as a new organisational form, but notes that "there is no strong consensus at the present time about the terminology and typology for describing the new organisational forms". He therefore suggests a typology based on the strength of the marketing relationship and suggests that a continuum exists which starts at its simplest form with a single transaction. It then moves to repeated transactions, then to long-term relationships, then to buyer-seller partnerships, then to strategic alliances, to network organisations and finally, in its strongest form, to vertical integration.

This continuum is graphically presented in Figure 1 below:



Source: Webster, 1992: 5

**Figure 1** The range of marketing relationships

Webster (1992: 8) goes on to say: "One of the essential features of a strategic alliance is that it is intended to move each of the partners towards the achievement of some long-term strategic goal." Other important characteristics are shared objectives and a commitment of resources by both parties. But although a strategic alliance forms a specific type of relationship on this continuum, the term is also used in a more general sense. Faulkner and De Rond (2000: 3), for instance, posit: "though the term 'alliances' may at some point have referred strictly to a particular type of relationship, it now serves as an 'umbrella' label for a host of cooperative relationships".

Nooteboom (1999: 6) further explains that alliance partners can be suppliers, customers, research institutes, and (semi-) governmental institutions, but also (potential) competitors. Lendrum (2000: 16) classifies customer - supplier relationships into three categories or segments – vendor, supplier, and partner relationships as set out in Table 1 below. He developed a scale with which to classify different types of relationships, which he describes as follows: "The 0-10 scale is universal and captures all other relationships, business and personal, internal and external, customers, suppliers, principals, contractors, service providers, peer groups, support teams, employees, shareholders, sponsors, joint venture partners, acquisitions, mergers, licensing, franchising and any other relationships will all fit somewhere on the 0-10 scale."

**Table 1 The universal relationship continuum**

Relationship Type	Description
<b>Type 0 – Zero relationships</b>	The choice is made, deliberately and consciously for good reason(s), not to have a relationship.
<b>Vendor Relationship Types (1-4)</b>	Vendors normally have a cost-plus strategy and mentality, trading on thin margins with little or nothing differentiating them. Price is the driving force behind the relationship, with customer/supplier loyalty having a low priority. There are four relationship types in the vendor segment - combative, tribal, trading and transactional.
<i>Type 1 – Combative relationships</i>	'You're not in business to make friends. If you want a friend, get a dog. Me, I'm not taking any chances. I've got two dogs.'
<i>Type 2 – Tribal relationships</i>	Tribal relationships are often spoken about as fiefdoms or organisation silos within which exist parochial, insular, protective, territorial groups resistant to change.
<i>Type 3 – Trading relationships</i>	Type 3 trading relationships exist in a world of opportunism and are all about negotiating, bartering, doing the deal and getting the order, predominantly at the best or lowest price.
<i>Type 4 – Transactional relationships</i>	Traditionally, transactional relationships involve the straight purchase or sale of products and services over the counter, over the phone, by fax or via the internet with little or no negotiation involved. No real personal relationship is built.
<b>Supplier Relationship Types (5-7)</b>	Supplier relationships occupy positions 5, 6 and 7 on the relationship scale. Delivering products and services 'In Full On Time to AI specification' (IFOTA1) becomes the base requirement for any reasonable supplier. Understanding the customer's requirements and then meeting and servicing them via cost-reduction and value-adding initiatives. Usually these relationships involve tightly managed contracts, often detailed and associated with tenders and competitive bidding.
<i>Type 5 - Basic relationships</i>	Basic type 5 relationships are low-impact, low-profile, low-priority, non-critical, independent, 'business as usual' relationships from the customer's perspective. A focus is on price, basic quality service maintenance or the beginning of total cost reductions.
<i>Type 6 -Major relationships</i>	Relationships are typified by an increasing complexity and importance of products, services and projects delivered. Major relationships are the first of the real proactively, quality-focused, continuous-improvement relationship types.
<i>Type 7 - Key relationships</i>	Key relationships are the most critical and important in the supplier segment of the 0-10 scale. They are strategically important, complex and multidimensional products and/or integrated service relationships. Focused more on genuine value adding than just total cost reductions, these are quality driven, continuously improving, innovation-based relationships. Both the customer and supplier parties to the relationship provide expertise over and above the products and services given or received.
<b>Partner Relationship Types (8-10)</b>	Alliance partners, apart from having all the qualities of the best 7+ key relationships, share visions, strategies and a wealth of information. Above all, partners will share a mutual trust.

<i>Type 8- Partnering relationships</i>	Partnering or alliance type 8 relationships are, above all, about mutual trust. They are based on competence, character, interdependence, honesty and integrity in working together, in good faith, as individuals and teams to achieve shared visions and common goals for mutual benefit. These relationships live in a world of transparency, seamless boundaries, frictionless commerce, performance-based remuneration and joint benchmarking, absent of tenders or competitive bidding in the traditional sense, leveraging core competencies around a broad balanced scorecard of performance measures.
<i>Type 9 - Pioneering relationships</i>	These relationships are characterised by: <ol style="list-style-type: none"> <li>1. Shared ownership and management of assets;</li> <li>2. Buy-back and lease of assets, products and services with remuneration linked to asset performance;</li> <li>3. Integrated corporate strategies, not just one-off relationships;</li> <li>4. Expanding relationships globally across political, cultural and social boundaries;</li> <li>5. Running the alliance itself into a virtual company or organisation, equity or non-equity linked or a separate legal entity or joint venture;</li> <li>6. Joint customer/supplier partner involvement in new projects and other long-term relationships;</li> <li>7. Complex public/private sector partnerships and alliances;</li> <li>8. The relationship owning the intellectual property for joint benefit, not individual alliance partners, based on self-interest;</li> <li>9. Advanced multi-partner alliances;</li> <li>10. Each partner waiving all rights to litigation in the event of any non-conformance other than for willful default.</li> </ol>
<i>Type 10- Community relationships</i>	Community relationships are reserved for the extended networks, supply and value chains that we are starting to see develop in the airlines, business and financial services, computers and communications, pharmaceuticals, automotive, entertainment and leisure, healthcare and chemicals, energy and resource sectors and elsewhere. Sometimes called extended enterprise relationships, these communities share the same principles and concepts as type 8 and 9 relationships but are now extended up and down complex supply and value chains.

Source: Lendrum, 2000

Lendrum (2000) suggests that some relationships may grow from one level to the other but the main aim is about understanding the optimum mix of relationships (0-10 on the type/quality scale) and performance levels required to sustain one's organisation's competitive advantage. An organisation might therefore need a portfolio of alliances of various types to be successful in the long term. Alliance relations that are relevant to the discussion on twinning and city-to-city partnerships can typically be classified as Type 8 to 10 relationships.

Strategic alliances cannot be seen in isolation. Partners are involved in other alliances, thus creating a vast network of alliances and linkages. Miles and Snow (1986) already identified the "dynamic network" as a new organisational form in the late 1980s. According to Vasudevan, Duysters, Van den Oord and Bakkes (2001: 3), most authors in their book agree on the idea that "the alliance era is changing into a network era, in which firms are embedded in a large number of multilateral alliances". They further point out that networks are more than just a complicated form of bilateral alliances and that these networks require a type of management distinct from the management of bilateral alliances. Harbison *et al.* (2000: 12) concur, and state that the typical "command and control" business model cannot be used effectively in the management of networks and multiple partner relationships. "Rather, they require something more flexible and dynamic to reflect the market environment and the partnership structure."

The *Routledge Encyclopaedia of International Political Economy* (forthcoming) contains a definition of interfirm alliances formulated by Benjamin Gomes-Casseres: "An interfirm alliance is an organisational structure to govern an incomplete contract between separate firms and in which each firm has limited control" (Gomes-Casseres, 1999). A contract is termed incomplete when, despite the fine print, it does not specify fully what each party must do under every conceivable circumstance. These contracts are also called "evolving contracts" or "relational contracts".

This definition has certain important implications: because the partners remain separate firms, there is no automatic convergence in their interests and actions. The consequence is that partners need to make decisions jointly. This autonomy of partners is also stressed by

Dussauge and Garette (1999: 2) who state that the term "strategic alliance" cannot be applied to any kind of interfirm links, but should be reserved for a special type of relationship which, in particular, makes these alliances so difficult to manage. "The key element in the notion of alliance is that each firm involved in the partnership remains independent, despite the agreement linking it to its partners. In other words, in alliances, the partner companies join forces in pursuit of common goals without losing their strategic autonomy and without abandoning their own specific interests."

According to Connell, LaPlace, and Wexler (1996: 4), the range of possibilities for developing alliances has grown tremendously in the last decade. "While some partnerships are designed to endure, others are intended as temporary collaborations that accomplish specific goals. Alliances are an alternative to the traditional strategies of mergers or acquisitions. They allow companies to collaborate on relevant areas or projects, while pursuing different strategies or even competing directly in other parts of the business."

Segil (1996: 7) observes that the term "alliance" can be applied to many kinds of relationships and is freely used in business, whether it is appropriate or not. She provides the following definition: "An alliance is a relationship that is strategic or tactical, and that is entered into for mutual benefit by two or more parties having compatible or complementary business interests and goals." Other authors are mostly in agreement on what strategic alliances are although their definitions differ somewhat. Harbison and Pekar (1994: 3) define a strategic alliance as:

A cooperative arrangement between two or more companies where:

- A common strategy is developed in unison and a win-win attitude is adopted by all parties;
- The relationship is reciprocal, with each partner prepared to share specific strengths with each other, thus lending power to the enterprise; and
- A pooling of resources, investment, and risks occurs for mutual (rather than individual) gain.

Strategic alliances, according to Varadarajan and Cunningham (1995: 282), entail the pooling of specific resources and skills by the cooperating organisations in order to achieve common goals, as well as goals specific to the individual partners.

In summarising the different definitions encountered in the literature, a strategic alliance can be described as having the following characteristics:

- It is an organisational form (not necessarily a separate legal form) separate from the partner firms;
- It also constitutes a relationship/partnership between the firms and individual employees and therefore has a social dimension;
- The scope of the relationship covers certain selected areas (which could differ from one relationship to the next);
- It is normally based on a written contract, but this contract is incomplete;
- It is meant to last long term;
- Mutual goals are pursued and the alliance is for mutual benefit, including the enhancement of competitive position;
- The relationship is based on reciprocity and a win-win attitude;
- There is a pooling of risks and resources; and
- Each firm has limited control, and joint decision-making takes place.

It is obvious from the above that these organisational forms are not easy to manage, specifically in the case of alliances that cross international borders. In these alliances, partners are not only far apart geographically, but cross-cultural complexities can have a major impact on their effectiveness (Mockler, 1999: 2).

Not all alliances are "strategic" (Harbison & Pekar, 1994: 3). Some that have a more short-term focus are called tactical alliances but opinions differ as to where exactly the dividing line is. As pointed out by Sheth and Parvatiyar (1992) in Varadarajan and Cunningham

(1995: 284), the primary purpose underlying close cooperation between organisations could either be strategic (e.g. entry into a new product-market domain) or operational (e.g. streamlining operations activities). Harbison and Pekar (1997: 14) point out that cross-border alliances are increasingly strategic.

But what is the main purpose of an alliance? Not all alliances are the same. Although there might be unique purposes to specific alliances, all alliances have certain purposes in common. Dussauge and Garette (1999: 39) for instance state: "Alliances are not only economic devices, they are also strategic moves aimed at outcompeting rival firms." According to them it can be argued that competitive advantage stems from the resources that firms have developed and in this perspective, "alliances can also be interpreted as a means through which to develop new capabilities and acquire skills from the other partner" (Dussauge and Garette, 1999: 39).

Nooteboom (1999: 43) argues that the pursuit of competitive advantage forces firms to concentrate on core competencies, to outsource more activities and use outside partners as sources of complementary knowledge and competence. In his view, alliances serve a variety of additional purposes in order to:

- Spread fixed costs (in production, distribution, R&D);
- Circumvent entry barriers;
- Achieve speed of market entry;
- Adapt products to markets;
- Acquire sources of materials, components, labour, technology or learning;
- Set market standards; and/or
- Pre-empt or attack competition.

According to Day (1995: 297), alliances have been used for such diverse purposes as:

- Gaining access to markets, channels, and knowledge;
- Realising economies of scale;
- Accelerating market entry; and/or
- Enhancing capabilities.

A strategic alliance can therefore be defined as an "incomplete" agreement between two or more separate firms that involves ongoing resources contributions from each to create joint value, and which is characterised by joint decisions to manage the business and share the value (Bamford, Gomes-Casseres & Robinson, 2003: 12). And these alliances are increasingly becoming critical elements of business strategy. Booz Allen Consulting, for instance, conclude the following in their research (Harbison *et al.*, 2000: 3):

- During 1998 and 1999, more than 20,000 alliances were formed worldwide, and more than half occurred between competitors.
- During this period, more than 20% of the revenue generated by the top 2,000 US and European companies came from alliances. By 2004, these companies expected over 30% (US) and nearly 40% (Europe) of their revenue to come from alliances.
- Financial returns on the alliance investments of these companies (in terms of returns on investment (ROIs) and returns on equity (ROEs)) were higher than from their core businesses.

## 1.5 City-to-city partnership as strategic alliance

According to Hamel and Prahalad (in Lendrum 2000: 83), "Almost every large company today has a spaghetti bowl of alliances, but there is seldom an overall logic to the set of partnerships ..... Thus, although many companies have a wide variety of partnerships, the individual

partnerships are often disconnected, each serving an independent and unrelated purpose. By way of contrast, what we have in mind are multilateral partnerships that possess a clear 'cumulative logic.'" A company might therefore not only have a portfolio of alliances, but the integration of these partnerships is of critical importance (De Villiers, 2005).

Twinning and city-to-city partnerships are involved in similar relations and their international linkages also result in networks and constellations being formed. A twinning or city-to-city partnership can therefore be defined as a "long-term strategic alliance between communities in different cities or towns, in which their municipalities are key actors".

## 1.6 The benefits of alliances and city-to-city partnerships

Underlying the motives for entering into alliances are a number of strong dynamic forces in the environment that favour the formation of alliances and explain the increased cooperation in the last decade. Harbison and Pekar (1997: 15) for instance list three forces that are shaping alliances:

- The globalisation of markets, to which can be added the turbulence and uncertainty of international markets (Faulkner & De Rond, 2000: 6);
- The blurring of industry boundaries, where "competitive boundaries have blurred as technology advances have created crossover opportunities merging formerly distinct industries" (Harbison *et al.*, 2000: 4); and
- Scarce resources and intensifying competition. Faulkner and De Rond (2000: 6) refer to "the need for vast financial resources to cope with fast technological change and the shortening of product life cycles".

To these forces, Harbison *et al.* (2000: 4) have added advances in communications (voicemail, e-mail and e-business) and the trend toward global markets linking formerly disparate products, markets and regions. Some of the internal drivers or reasons for seeking an alliance are listed below:

- To accelerate revenue growth (Palermo, 2003: 19);
- Risk sharing (Harbison & Pekar, 1994: 3; Palermo, 2003: 19; Nootboom, 1999);
- Economies of scale (Harbison & Pekar, 1994: 3; Nootboom, 1999);
- New market access/market segment access/accelerating the pace of entry into new markets (Harbison & Pekar, 1994: 3; Varadarajan & Cunningham, 1995: 282);
- Technology access (Harbison & Pekar, 1994: 3);
- Geographical access (Harbison & Pekar, 1994: 3);
- Funding constraints (Harbison & Pekar, 1994: 3);
- Management skills (Harbison & Pekar, 1994: 3);
- Value-added barriers (Harbison & Pekar, 1994: 3); and
- Acquisition barriers (Harbison & Pekar, 1994: 3).
- Sharing of research and development, manufacturing (Varadarajan & Cunningham, 1995: 282; Palermo, 2003: 19);
- Marketing costs/decreasing costs (Varadarajan & Cunningham, 1995: 282; Palermo, 2003: 19; Faulkner & De Rond, 2000: 6);
- Broadening the product line/filling product line gaps (Varadarajan & Cunningham, 1995: 282);
- Learning new skills and competencies (Varadarajan & Cunningham, 1995: 282; Palermo, 2003: 19). The need for specific assets or capabilities not currently possessed (Faulkner & De Rond, 2000: 6);
- To create new industry standards: "Changing the rules of the game & even the game itself!" (Palermo, 2003: 19); and/or
- The need for speed to market not achievable by other means (Faulkner & De Rond, 2000: 6).



International alliances have additional contextual drivers (Nooteboom, 1999: 204):

- To prevent transportation costs;
- To follow customers;
- To adapt a product to the local market;
- To circumvent entry barriers (in markets for products or inputs);
- Speed of market entry;
- Political legitimacy;
- Restrictions on the repatriation of profits;
- To pre-empt the competition from entering first;
- To attack a competitor in his home market;
- The joint need to set a market standard; and
- To limit the competition by instituting a cartel.

Varadarajan and Cunningham (1995: 285) use Ansoff's conceptualisation of major growth alternatives available to a firm to list the underlying motives of entry of firms into strategic alliances, as set out in Table 2 below.

**Table 2: Motives for entering into alliances**

Motivation	Alternative ways of achievement
1. Market entry and market position-related motives	<ul style="list-style-type: none"> <li>• Gain access to new international markets</li> <li>• Circumvent barriers to entering international markets posed by legal, regulatory, and/or political factors</li> <li>• Defend market position in present markets</li> <li>• Enhance market position in present markets</li> </ul>
2. Product-related motives	<ul style="list-style-type: none"> <li>• Fill gaps in present product line</li> <li>• Broaden present product line</li> <li>• Differentiate or add value to the product</li> </ul>
3. Product/market-related motives	<ul style="list-style-type: none"> <li>• Enter new product/market domains</li> <li>• Enter or maintain the option to enter evolving industries whose product offerings may emerge as either substitutes for or complements to, the firm's product offerings</li> </ul>
4. Market structure modification-related motives	<ul style="list-style-type: none"> <li>• Reduce potential threat of future competition</li> <li>• Raise entry barriers/erect entry barriers</li> <li>• Alter the technological base of competition</li> </ul>
5. Market entry timing-related motives	<ul style="list-style-type: none"> <li>• Accelerate pace of entry into new product-market domains by accelerating pace of R&amp;D, product development, and/or market entry</li> </ul>
6. Resource use efficiency-related motives	<ul style="list-style-type: none"> <li>• Lower manufacturing costs</li> <li>• Lower marketing costs</li> </ul>
7. Resource extension- and risk-reduction related motives	<ul style="list-style-type: none"> <li>• Pool resources in light of large outlays required</li> <li>• Lower risk in the face of large resource outlays required, technological uncertainties, market uncertainties, and/or other uncertainties</li> </ul>
8. Skills enhancement-related motives	<ul style="list-style-type: none"> <li>• Learning new skills from alliance partners</li> <li>• Enhancement of present skills by working with alliance partners.</li> </ul>

Source: Varadarajan & Cunningham, 1995

In the discussion above the topic of strategic alliances was covered in general. But why do regions or cities enter into alliance relationships? Keating (1999: 3-5) suggests that there are three main motivations why regions enter the international relations arena. These could be for economic, cultural or political reasons:

- Economic (e.g. investment promotion, tourism promotion, markets for their products, and technology for modernisation);
- Cultural (e.g. regions with their own language or culture also seek resources and support in the international arena); and
- Political (e.g. those with nationalist aspirations seek recognition and legitimacy as something more than mere regions).

According to Zelinsky (1991: 26), "A given country's array of twinnings tends to reflect the national interest. Under the benevolent gaze of the central regime, the sister-city programme usually serves to advance politically acceptable commercial and diplomatic aims, or is at worst neutral."

But there are many more reasons, which are also influenced by city or community size, as highlighted in Table 3 below that depicts international activities in American cities:

**Table 3. Levels of internationally relevant activity by city size**

	Very Active/Active responses (%)		
	Small	Medium	Large
• Attracting foreign investment	27.5	50.6	94.5
• Promoting exports of local products	42.8	60.5	88.9
• Sister-city relations	41.4	68.2	83.4
• Working with state officials	31.3	29.7	55.5
• Cultural exchanges	27.2	51.7	77.8
• Working with business partners	28.0	48.4	100.0
• Idea and technical exchanges	22.7	49.5	77.7
• Improving international education	22.4	35.2	44.4
• Enhancing foreign language education	22.1	34.1	44.4
• Working with civic groups	22.1	29.7	72.2
• Attracting foreign tourists	18.8	37.4	61.1
• Working with neighbour cities	16.4	28.6	55.6
• Working with federal officials	16.4	25.3	61.1
• Advertising city abroad	14.9	29.7	44.4
• Recruiting protocol person	11.4	24.2	72.2
• Conducting trade missions abroad	10.9	29.7	61.1
• Attracting foreign immigrants	4.6	11.0	5.6
• Foreign office or representative abroad	3.8	13.2	22.3

Source: Kincaid, 1999: 128

Twinnings on or between different continents might also be driven by different motives. According to the UNDP (2000: 9-10), the following motives for community linkages (North-South), which may originate in the community at large, inside the municipality, or on the initiative of a humanitarian-based organisation, were encountered in their research:

- To learn and gain from each other;
- To enter into a relationship centred on areas of mutual interest (social, cultural, economic, technological or environmental);
- The frustration of the continuing increase in Third World poverty, despite the multitude of efforts governments and society have made to overcome it;
- The need by local leaders for development education and raising their community's awareness of global issues;
- Friendship exchanges, leading to understanding and respect for one another;
- To exchange ideas on environmental issues under the aegis of Local Agenda 21;
- The exchange of knowledge and experience at the Southern local government with the objective of strengthening the institutional capacity; and
- Local economic development.

According to the Council of European Municipalities and Regions (CEMR) (2004: 3) there are many reasons why European communities and cities should twin:

- Twinning contribute to the development of European unity through building awareness among populations concerning the importance of European construction and through concrete forms of international cooperation;
- A twinning can enable a town, its associations, its citizens, to exchange experiences, to confront problems, and to help each other in looking for solutions... Transport, protection of the environment, education, health, heritage protection, the fight against racism and xenophobia, equal opportunities, initiatives for employment... constitute themes that twin towns can work on together; and
- Twinning is a way of exchanging, of learning, and building knowledge. Through meetings of young people, the elderly, and professionals, twinings are the best opportunity of opening up to different cultures, languages and societies.

Alliances can be financially rewarding. Harbison *et al.* (2000: 9-11) for instance quotes research by Anand and Khanna which shows that alliances outperform mergers in terms of stock market value creation. The reasons are as follows:

- They can fill single and multiple gap deficiencies;
- They may lead to the creation of integrated products and services; and
- They may lead to the formation of a breakout offering.

According to Day (1995: 297), there are as many possible benefits to the formation of an alliance as there are motives for entering into these cooperative agreements. "At best they are an economical and flexible way to cope with increasing market turbulence, uncertainty, and scope." To these overt benefits can be added the more intangible benefits that come to firms as they test their capabilities in new and more demanding contexts and absorb new insights and methods from their partner. Day states that the growing recognition of these benefits has led to a rate of growth in alliance formations of 25% annually. Harbison and Pekar (1997: 4) further list the circumstances in which cross-border alliances can be more advantageous than acquisitions:

- Distance - "Acquisitions are difficult to integrate when spanning great distances and crossing borders";
- The empty-shell syndrome - "Too often the best people leave when a foreign parent becomes the new owner and moves to constrict local management's manoeuvrability"; and
- Cultural differences - "Trust-building and strategy formation are harder in foreign acquisitions because of the cultural differences that have to be overcome."

Alliances help avoid these pitfalls by making the partners work together in a disciplined manner, building trust at all levels of the organisation. According to Mockler (1999: 6) strategic alliances, if planned and managed effectively, can:

- Enable overseas expansion and provide access to new markets;
- Add value to a firm's product line;
- Expand distribution and provide access to materials;
- Develop and improve operations, facilities and processes, and provide access to new capabilities, new knowledge and new technologies;
- Provide additional financial resources;
- Decrease risks and enable relatively rapid adaptation to changing competitive market forces;
- Create new opportunities when faced with increasingly intense global competition; and
- Reduce competition.

But alliances do not only lead to benefits. There are costs involved and many of the costs are never accounted for in performance assessment. Day (1995: 297) identifies significant costs from:

1. The time spent by management to negotiate, implement, and integrate the alliance;
2. The loss of flexibility and freedom of action in the areas of joint interest;
3. Leakage of proprietary knowledge to the partner, who may later use this knowledge to erode the firms advantage; and
4. The atrophying of firm capabilities in areas of alliance activity that have been ceded to the partner.

Day (1995: 297) states further that the greatest costs are undoubtedly incurred when the alliance is liquidated or fails to live up to expectations and one partner sells out to the other.

Cremer, De Bruin and Dupuis (2001: 393) state that a wide range of benefits, both tangible and intangible, accrue to cities involved in sister-city relationships. Among these are the benefits of:

- International trade;
- Cultural exchanges;
- Educational exchanges;
- Migration;
- Investment; and
- Tourism.

The Local Government International Bureau in the United Kingdom identifies a large number of benefits accruing to UK communities from city-to-city linkages, differentiated into general benefits, and people-to-people benefits, as listed in Tables 4 and 5 below:

**Table 4: People-to-people benefits**

Benefit area	Description
Promoting tolerance	<ul style="list-style-type: none"> <li>• Twinning links between local authorities can forge links between communities of different countries and cultures, increasing understanding of the world, broadening horizons and helping to combat insularity.</li> <li>• Community contact can promote tolerance and respect for others, combating racism and xenophobia.</li> <li>• It provides an opportunity to bring together the whole community, regardless of age, ethnic or religious background, gender, disability, social or economic status. It can contribute to breaking down barriers and increasing understanding within the home community, as well as between the two different communities.</li> </ul>
Promoting stronger community partnerships	<ul style="list-style-type: none"> <li>• Twinning links provide an opportunity for a local authority to forge partnerships with members of the wider community, such as central government departments. They can also be an effective conduit for establishing links between commercial organisations, voluntary bodies and the non-governmental sector.</li> <li>• Local authorities can use transnational partnerships and twinning to motivate key sections of the community, such as ethnic minorities, young people and disadvantaged groups, who may not always be involved in local authority activities or have contact with overseas communities.</li> <li>• By looking outward at other communities, people are encouraged to look more closely at their own environment and social structures. This can increase civic pride, self-esteem and confidence.</li> </ul>
Enhancing youth activities	<ul style="list-style-type: none"> <li>• Twinning links can give young people their first international experience through youth exchange or work experience.</li> <li>• They provide an environment in which young people can explore social and political issues with their counterparts from other countries, deepening their awareness and increasing self-confidence.</li> </ul>
Improving service delivery and problem solving	<ul style="list-style-type: none"> <li>• Best value legislation requires local authorities to provide services that are cost effective, of a good quality and that meet the demands of the local community. Transnational partnerships can link directly into this work by giving local authorities the opportunity to work collaboratively with counterparts overseas and to share information and experience in a number of service areas.</li> <li>• Practitioner-to-practitioner exchange of experience is a cheap and effective way of delivering technical assistance and can be more sustainable than one-off projects, enabling local authorities to compare problem solving, exchange skills and learn from one another.</li> </ul>

Increasing global and European awareness	<ul style="list-style-type: none"> <li>Globalisation means that local authorities are operating in an increasingly international environment and dealing with European and international businesses on a regular basis. Transnational partnerships and twinning links increase awareness of European and international issues and can help local authorities to participate more effectively in a global environment.</li> <li>International links forge important partnerships that can be of substantial assistance in preparing for political changes such as European enlargement.</li> </ul>
Accessing EU funding	<ul style="list-style-type: none"> <li>European Union funding programmes require local authorities to work collaboratively with partners from other countries. Twinning links provide local authorities with an excellent source of potential partners to enable them to unlock funding for technical projects.</li> </ul>
Effective staff development and training	<ul style="list-style-type: none"> <li>Through the challenges of resolving technical issues in a new environment transnational partnerships and twinning links can provide innovative training opportunities for all levels of staff and in a number of areas, ranging from management development to more practical skills.</li> <li>Better understanding of another culture can also help local authority officers and others to work more effectively within their own community.</li> <li>Transnational partnerships and twinning links provide an opportunity for staff to work with different colleagues within their own organisation, or with other local authorities and organisations, thus creating good links and networks.</li> </ul>
Effective member development and training	<ul style="list-style-type: none"> <li>The wide personal development opportunities from transnational partnerships and twinning links are also available to elected members, enhancing skills, experience and learning through the exchange of experience with counterparts.</li> </ul>

Source: Adapted from Local Government International Bureau (LGIB), 2001

**Table 5: General benefits**

Benefit area	Description
Promoting community well-being	<ul style="list-style-type: none"> <li>By bringing together counterpart organisations, experts and interest groups in the areas of health and social welfare, improvements can be made to social policy and community services and facilities.</li> <li>Sharing expertise and experience on issues such as unemployment, drug and alcohol dependency, and comparing facilities for the young and elderly can contribute to the 'well-being' of the community.</li> </ul>
Public awareness and learning	<ul style="list-style-type: none"> <li>Twinning links can be used to promote public debate of major global issues such as the environment, Local Agenda 21, the European Union, racism, and social exclusion related to drug abuse, poverty and unemployment.</li> <li>Local authority links can be used as a learning tool for all age groups in understanding the social, political, environmental and economic issues that face other parts of the world.</li> </ul>
Education	<ul style="list-style-type: none"> <li>Twinning links can contribute to the enhancement of formal and informal education and lifelong learning for all members of the community. They can provide a realistic context for learning, bringing text books to life and acting as a resource for many subjects.</li> <li>Activities relating directly to the National Curriculum or an examination syllabus can improve educational achievement while general participation in twinning links can also enhance key skills such as communication and organisation.</li> </ul>
Economic and business development	<ul style="list-style-type: none"> <li>Transnational partnerships and twinning links provide an opportunity for small and large organisations, in both the public and private sectors, to explore potential economic benefits. This may lead to commercial transactions and trading, or to the exchange of technical knowledge to improve business efficiency and service delivery.</li> </ul>

Source: Adapted from Local Government International Bureau (LGIB), 2001

According to Sister Cities International, sister-city relationships are beneficial to both partners as they enable participants to (SCI, 2002a: 2):

- Exchange ideas and develop friendships with their counterparts in another culture on a direct, personal basis;
- Establish an identity as members of the global family involved in the constructive process of building world peace;
- Develop a way for the many and diverse elements of each community to come together to enjoy and profit from a cooperative programme;
- Open new dialogues with the people of another culture to find unique solutions to improving the quality of life of all citizens;
- Participate in a programme with a real partner in another country so all members of the community can feel they are contributing to international understanding in a direct, personal way; and
- Better understand their own community by sharing their way of life with the people of another culture.

More specific benefits cited by Sister Cities International are (SCI, 2002b: 3-4):

- Increased tourism (e.g. more than 100,000 people from the US travel abroad under the sister-cities umbrella annually);
- Reliable business contacts;
- Cross-cultural expertise;
- Forums for discussing complex global trade and development issues;
- Legitimacy: community-wide and city hall support; and
- Community and company image.

But most of the benefits cited are “soft” issues which are difficult to quantify. The New Zealand Institute of Economic Research (NZIER, 2003: iii) found that sister-city relationships in that country have delivered economic benefits to local economies. “However, from a macroeconomic perspective (i.e. compared to total economic activity in New Zealand), these benefits are small.” The broad ranging economic benefits typically arising from these relationships include (NZIER: 2003: iv):

- Establishing business contacts;
- Providing a gateway into new markets and product lines;
- Enhancing the overseas reputation of both individual firms, and New Zealand as a whole;
- Reducing transactions and search costs in business negotiations;
- Attracting foreign fee-paying students;
- Facilitating knowledge; and
- Increasing tourism.

But they also observe that there is substantial potential for extracting further economic benefits from sister-city relationships and that councils and businesses need to take better advantage of the opportunities that such links provide.

As is the case with strategic alliances, however, there are also costs involved in twinning and it is important that the benefits outweigh these costs. Cremer *et al.* (2001: 394) for instance state that “sustaining sister-city relationships is something of a balancing act in New Zealand’s current tight economic climate. The continuation of these relationships is often cast in local body political debate as more of a frills concern, rather than the core business of a city council.”

Criticisms usually fall into three categories (Dupuis & de Bruin, 2000):

- The first suggests that people are either unaware of or apathetic about these relationships;
- The second centres on the “strange choice” of the cities selected; and
- A third commonly voiced criticism is that the sister-city connection represents little more than a “junket for politicians” financed from ratepayers’ money.

In summary, a large number of benefits of city-to-city partnership for the respective communities in each city or town can be identified and these include (De Villiers, 2005):

- Brand building and image (*image of city/town as an international brand*);
- Funding (*large amounts of aid funds could be accessed if the right channels are followed*);
- Economic growth (*international relations can facilitate tourism growth, export promotion and investment*);
- Capacity building in municipality (*expert skills and technical advice*);

- Capacity building in educational institutions and NGOs (*through exchange and funding*); and
- Community building (*international projects facilitate closer cooperation between sub-communities*).

From the above it can be deduced that international city-to-city partnerships can be highly beneficial to participating communities and offer a platform for businesses to enter into a variety of alliance relationships. There could be many spin-offs for local business that participate - in the form of business growth, exports, capacity building, and investment.

## 2. HISTORY AND BACKGROUND

Although the exact number of city-to-city partnerships globally is not known, a few interesting facts illustrate its world-wide importance: Approximately 56% of Europeans live in twinned cities; 70% of the world's cities have developed city-to-city international cooperation; and 68% of these cities are affiliated to one or more international association of local authorities (UN-Habitat, 2005). In France and Germany the percentage is the highest but in the United States (US) only about one sixth of cities and towns have links of one kind or another (UNDP, 2000). These US links involve 1,200 states, counties or communities in more than 2,500 relationships in 134 countries (Hafteck, 2003: 339; SCI, 2006). In the Netherlands three quarters of all Dutch municipalities are in some way or another involved in municipal international cooperation (UNHSP, 2000). Although the Council for European Municipalities and Regions (CEMR, 2004), estimates there are nearly 30,000 twinning links in Europe, the United Nations Development Programme estimates the number of official global city-to-city links to be between 15,000 and 20,000 (UNDP, 2000).

Countries in the South also have such agreements in place. New Zealand, for instance, has 145 sister-city agreements, Australia 322 affiliations, and South Africa 231 city and regional relationships with 45 different countries.

There are many reasons for the growth in city-to-city partnerships. It has been realized by the world community that all development ultimately takes place at the local level, and local is becoming more and more important in the international arena. In addition it is also realized that local communities have a larger role to play at the global level. The United Nations, for instance, recently said: "The rise of civil society is indeed one of the landmark events of our times. Global governance is no longer the sole domain of Governments" (UN, 2004: 3).

Different terms are used to describe city-to-city relationships and they include: sister-cities, twin cities, friendship cities, *partnerstadt*, *jumelage*, decentralised cooperation, municipal international cooperation, city-to-city cooperation (C2C), and *stedenbanden*.

### 2.1 The origins and history of city-to-city partnerships

According to the Local Government International Bureau in the UK, the first recorded twinning was between Keighley, West Yorkshire, and Poix du Nord in France in 1920, but after the end of the Second World War the concept spread at a rapid rate. It was seen as an effective tool in the process of promoting peace and reconciliation. The first twinning after World War Two was between Bristol in the United Kingdom and Hanover in Germany in 1947, followed by twinings between Oxford and Bonn, and Reading and Düsseldorf (Weyreter, 2003: 37). The first Franco-German twinning occurred in 1950, and the forerunner of the Council of European Municipalities and Regions (CEMR) was established in 1951. The main aim of the CEMR was to unite Europe in a rebuilding effort with local government acting as facilitator between national governments and local communities. Two partly overlapping objectives were pursued: firstly, peacekeeping and international understanding, and secondly, the promotion of European integration (Kern, 2001: 9). This was followed in 1956 by an organised twinning programme in the United States that grew out of the People-to-People programme inaugurated by President Eisenhower. This initiative was later reorganised as a non-profit organisation called the "Town Affiliation Association of the United States" in 1967, with an operating wing called "Sister Cities International (SCI)".

Whereas the European origin of twinning was more focused on the community level, the programme initiated by Pres. Eisenhower focused more on the individual or ordinary citizen as a diplomat to promote peace and understanding. A new term “Constituent Diplomacy” or “Citizen Diplomacy” was therefore introduced which emphasised that citizens can participate directly in international affairs as citizen diplomats (Hsu, 2003: 152).

But city-to-city partnerships at this point were between developed Northern hemisphere countries, mostly in Europe. In order to promote twinnings with countries in the developing world, the United Towns Organisation (UTO) successfully lobbied at the United Nations, which led to the adoption by the UN General Assembly of a resolution on “city twinnings as a means of international cooperation” in 1971, endorsing the concept of cooperation twinnings between cities of the industrialised world and of the developing world (Hafteck, 2003: 339). These cooperation twinnings, also called North-South twinnings, were used as a means of outreach to Third World countries. They gained progressive momentum in the 1970s and 1980s, and became more technically oriented and project-based. During the 1980s the nature and goals of twinning changed, and twinning arrangements also grew between Europe and America with the Soviet Union, and with Eastern Europe (Zelinsky, 1991). Another subsequent development was the concept of Decentralised Cooperation (DC), first embodied in the European Union’s Lomé Convention in 1990 (UN-Habitat, 2001: 4).

According to the UNDP, the concept of twinning has changed and: “Linking has evolved from its origins as a modality for confidence-building between European towns into a global phenomenon encompassing friendship, solidarity, culture, awareness-building, international understanding, humanitarian assistance, sustainable development and, in recent years, good governance” (UNDP, 2000). The participants have also changed. When city-to-city cooperation began, links were almost always between town halls, but now involves a much larger number of role players. (UNDP, 2000). Since its inception, city-to-city partnerships also developed through three different but interlinking and overlapping phases (O’Toole, 2001: 405):

- Associative phase (*twinning based on friendship, cultural exchange*);
- Reciprocatve phase (*twinning based on educational exchange, people exchange*); and
- Commercial exchange phase (*twinning based on economic development*).

Although relationships could be in any or a combination of the phases mentioned, it is evident that the role of business is most important in the latest phase which emphasises commercial exchange.

The nature of city-to city partnerships can also be defined in terms of its geographic orientation:

- North-North linkages comprise most of the place-twinnings in the world. They focus on socio-cultural issues and exchanges of people, are used to forge European unity and increasingly include technical/professional cooperation activities and economic development components (UNHSP, 2002).
- North-South links are often aimed at development cooperation. But, according to the UNDP, the number of links between North and South is small compared to the worldwide figure, totalling an estimated 2,000 to 3,000 links (UNHSP, 2002).
- West-East links started before the end of the Cold War, and was primarily being promoted through the embassies of the USSR.
- South-South links have been strongly promoted in recent years. The idea behind these links is that communities from Southern areas are dealing with the same type of problems, and therefore can learn from solutions developed by one another (UNDP, 2000). These links offer potential for developing meaningful relationships between cities on the African continent.

## 2.2 Trends and current status of city-city-partnerships

City-to-city partnerships have grown at a rapid rate during the past two decades for three reasons: urbanisation, globalisation, and “the fact that city governments have taken initiatives to assert their place in the world” (UN-Habitat, 2001: 3). These relationships have also been



influenced radically by the recognition of various civil society stakeholders as partners in policy formation at local, national, regional and global levels during major United Nations conferences held since the 1990s which include (UNDP, 2000; UNHSP, 2002):

- The Rio Earth Summit 1992, and the acceptance of Agenda 21 which recognised that global problems have their roots in local actions and that cities are thus key actors in the quest for sustainable development.
- The Istanbul City Summit 1996 and the resultant "Habitat Agenda". Here, the United Nations recognised, for the first time, the status of local governments as the closest partners of national governments for the implementation of the Habitat Agenda.
- This was followed by the Millennium Declaration and the Summit on Sustainable Development in Johannesburg during 2002 in which the important international developmental role of local government was again stressed.

But a landmark event for local government was the founding of United Cities and Local Governments (UCLG) in Paris on 5 May 2004 which, as the global association of local government, strongly supports city-to-city partnerships as a vital contribution to the construction of a peaceful and sustainable developed world (UCLG, 2004). This was followed by the Cardoso Report on UN-Civil Society relations which states: "Civil society is now so vital to the United Nations that engaging with it well is a necessity, not an option. It must also engage with others, including the private sector, parliaments and local authorities" (UN, 2004: 9).

### 2.3 Categorisation of local international relations

Many approaches exist to categorise local international relationships. But in order to deal with these issues systematically, it is proposed that all such city-to-city partnerships be categorised into one of three types, which all involve local government, are closely related and may over time move from one to another (De Villiers, 2005). The first of these is municipal international cooperation.

#### MUNICIPAL INTERNATIONAL COOPERATION

- Municipal International Cooperation (MIC) is a name for the international relations of **municipalities**.
- It normally entails a short or long term agreement between two or more municipalities, or membership of an international network of municipalities.
- The aim is normally technical cooperation through learning and capacity building initiatives between Northern, and Southern or Eastern municipalities, or municipalities working together on a certain theme or initiative (e.g. Local Agenda 21 or the Millennium Development Goals).

Examples of MIC include funding schemes aimed at promoting technical cooperation between municipalities (e.g. Commonwealth Local Government Good Practice Scheme (UK), and the EU's TACIS City Twinning Scheme), and technical cooperation networks between groups of cities (e.g. EUROCITIES and Climate Alliance in Cities). But whereas MIC involves international relations between local governments, sister-cities and city twinning also involve the large community.

#### SISTER-CITIES AND CITY/TOWN TWINNING

- In a sister-city or a twinning of communities, "town" and "city" refer not to the local government, but the **whole community**, including civil society, the business community, the education sector, and the municipality.
- The local government plays a facilitating role but the primary bond is between communities.
- The main aims range from cultural exchange and friendship, to marketing and economic development, and this form of relationship, which has a long-term focus can also be seen as organised or facilitated **citizen-to-citizen diplomacy**.

But according to the UNDP, linking “has moved a long way from traditional twinning into many areas of development cooperation” (UNDP, 2000: 24). This third type of city-to-city partnership is in essence a form of decentralised cooperation.

#### DECENTRALISED COOPERATION (DC)

- In many instances, DC takes the form of a twinning, involving international development agencies, who channel official development assistance (ODA) through the relationship. But national government is also normally involved in approving and signing these agreements.
- “Today, decentralised cooperation continues as an evolving concept located at the intersection of its two parent fields: development cooperation and international municipal relations” (Hafteck, 2003: 333).
- In short, this form of DC can be seen as linking or **twinning for development**, and constitute mostly North-South partnerships.

Examples of DC in South Africa comprise 20% of all city-to-city partnerships. These are funded by the development agencies of Sweden, The Netherlands, Belgium, Australia, Canada, the United Kingdom, Germany and Norway.

#### 2.4 The new entrepreneurial role of local government

As already mentioned, the importance of city-to city cooperation is influenced by global phenomena and this also includes decentralisation of more powers to local government. Local government has taken on many new responsibilities in the past number of years and its mandate has been expanded from basic service delivery to also include economic development. It can therefore be argued that local government must take on an entrepreneurial role in developing the local economy and that city-to-city partnerships is a manifestation of such entrepreneurial local government (Cremer *et al.*, 2001: 388).

In South Africa the involvement of the private sector in municipal affairs is crucially important, as: “Eighty per cent of economic development (employment and fixed investment) within South African municipalities depends on the private sector” (CDE, 2003: 31). It is suggested that pragmatic coalitions in the form of cooperative agreements towards realising joint projects and purposes offer the best prospects for positive interaction between business and local government. Municipalities in South Africa have, however, not been able to forge the necessary public/private partnerships that are required (CDE, 2003).

#### 2.5 The current use of twinning

It is interesting to note that local international relations is being practised globally by different countries and regions, for different purposes. In the United States of America, for instance, the emphasis is on citizen diplomacy and exchange, with the main aim of projecting a positive image to the world. The European Union use of the concept is totally different. Firstly it is being used as a form of decentralised cooperation to assist poor countries and secondly it is used as a capacity building tool and a mechanism to facilitate unification of its members. To the Chinese on the other hand, twinings are one of the policy instruments to open themselves to the outside world to project a positive external image, as well as to provide developmental opportunities to catch up with the West. The main objective of the sister-city arrangement is economic cooperation, which, in the Chinese context, implies a commitment to enhance economic and commercial interests in the two cities on a mutually beneficial basis. In Japan, international relations can be attributed to the central government's policies associated with *kokusaika* (internationalisation). *Kokusaika* is not interpreted in the narrow sense of trade, but rather in the broader sense of opening the country to outside cultural influences that will ultimately lead to greater economic relations (O’Toole, 2001). In South Africa local international relations is called municipal international relations and it manifests in different forms including membership of international networks, being beneficiaries of aid through North/South linkages, and building South/South relations with the rest of Africa and the developing world.

### 3. THE SITUATION IN SOUTH AFRICA

A comprehensive Municipal International Relations (MIR) policy was approved by national government in 1999. This policy defines MIR as: "A link between two or more communities from different nation-states, in which at least one of the key actors is a municipality. Such links may include local non-governmental organisations, community-based organisations or private associations.(DPLG, 1999: 3).

In 1988 South Africa had only 7 international relationships at the local level. In 2004, 53 of the 284 South Africa municipalities had 130 relationships and 41 new ones were in the process of being formed. Another 35 relationships were identified that were started and cancelled. At the provincial level, another 60 relationships were found and these twinnings represent non-central-government-level linkages with 45 foreign countries; but it was also found that few of these relationships are truly successful in meeting their original objectives (De Villiers, 2005).

Looking at the findings of primary research conducted by De Villiers (2005) amongst all the municipalities in South Africa it was found that a large number of international relationships developed after the 1999 policy was approved by national government. More than half of all relationships at the provincial level were found in three provinces (Mpumalanga, Western Cape, and the Eastern Cape) and the most popular partner countries were China and Germany. Relations at the local level are dominated by China (31), the United Kingdom (16), The Netherlands (14), and the USA (14). The cities with most relationships were Buffalo City Municipality (East London) with 22, City of Cape Town (18), City of Johannesburg (17) and eThekweni Metropolitan (Durban) with 14 relationships.

When asked about the critical success factors of local international relations in a survey of all municipalities, the majority reported the importance of the business sector and economic development (De Villiers, 2005). When asked to identify the parties involved in the relationships, however, it was evident that the business sector involvement is not very strong and that economic development is a focus in only 39.4% of relationships.

South African relationships can markedly be improved by addressing the factors that constrain their potential success. These include (De Villiers, 2005):

- Lack of management competence and capacity at the local level;
- Lack of community involvement and continuity of leadership;
- Lack of the involvement of business;
- Lack of marketing of the twinning amongst citizens and the media;
- Lack of planning; and
- Lack of support, coordination and training.

### 4. WHAT ARE THE BENEFITS FOR THE BUSINESS SECTOR?

The benefits of city-to-city partnerships for a city or town have already been listed. But what are the specific benefits to business firms that are involved? A study conducted in New Zealand found the following benefits for business involvement in sister-city relationships (NZIER, 2003):

- Establishing business contacts;
- Providing a gateway into new markets and product lines;
- Enhancing the overseas reputation of both individual firms, and New Zealand as a whole – giving businesses a competitive edge;
- Reducing transactions and search costs in business negotiations;
- Attracting foreign-fee-paying students;

- Facilitating knowledge and technology sharing and joint research; and
- Increasing tourism.

Many examples of economic spin-offs of city-to city partnerships exist but a good example is the City of Atlanta, Georgia, USA. Atlanta has 18 sister-cities and developed a strategy three years ago for their sister-city programme built around economic development. At the end of 2006 they had an economic development summit where 12 of these partners were present. They have identified people, government, economic, environment and operations as the five strategic directions upon which it will focus its programmes and services. The economic strategies that open the possibilities for business involvement include (City of Atlanta, 2004):

- To facilitate international trade and development by implementing a business exchange with a minimum of one Sister City Partner annually.
- With the University of Georgia, develop programs, materials and exchanges with Sister City partners whose economies are agricultural.
- Establish an international trade office presence (brochures, flyers, contact information and ASCC information) within the local mayor's office or the chamber of commerce of each of the Sister City partners.
- Maintain a current list of Sister Cities with direct flights to Atlanta and work to establish one with each Sister City partner.
- With Atlanta's international business community, establish and nurture international trade with Atlanta's sister cities and their partners, utilizing their resident nationals.

So how can business firms get more involved and extract value from these international city-to-city relationships? This can be done collectively for a group of businesses in a specific industry, or individually. In terms of existing agreements:

- Businesses should find out what relationships exist on the local and regional level.
- Try and obtain a copy of the signed agreement and establish who the contact persons on both sides are.
- Ascertain whether you can extract value from the relationships.
- Get support from your business association (e.g. local Chamber of Commerce, Sakekamer or Tourism Association).
- Communicate your desire to participate to the city-to-city partnership.

But local business associations or individual businesses undertakings can also initiate new city-to-city relationships to support their own international strategies. This can be achieved through:

- Identifying possibilities for new agreements.
- Getting business associations and other stakeholders involved.
- Lobbying municipality support.
- Approaching potential partner.
- Getting involved in the partnering process.

## 5. THE PARTNERING PROCESS

But the success of city-to-city partnerships depends on how well these relationships are conceived and managed. According to De Villiers (2005) there are eight sequential but iterative steps in managing and maintaining successful twinning relationships and building alliance capability. These steps are briefly described below.

### 5.1 Twinning strategy

Before a strategic alliance is entered into, a city or organisation needs an alliance strategy to spell out the rationale, aims and vision of why such relationships should be promoted and developed. Such a strategy should include the vision and goals for alliances/twinning, guidelines for partner selection, guidelines for senior management/ champion involvement, and how learning will be captured. The city-to-city strategy is directly influenced by the community profile of the area, the Integrated Development Plan (IDP), and the national and provincial governments' local international relations policies.

### 5.2 Partner search

From the alliance/twinning strategy it will be clear what type of partners will be sought to form alliances with.

### 5.3 Partner approach and evaluation

Once a partner has been selected such partner must be approached and the possibility of a relationship investigated. The following investigations need to be conducted in this phase:

- A due diligence to get to know the potential partner's alliance history and to obtain clarity of the partner's capability gaps; and
- A realistic feasibility study.

### 5.4 Partner selection

Partner selection should be based on the initial investigations and also in terms of compatibility with the municipality and/or community alliance strategy.

### 5.5 Planning

At this stage, the partner has been selected and the negotiations have started. In order to achieve success in the relationship upfront planning is crucial. Commitment will be shown through the signing of a "letter of intent" to enter into a long-term relationship. Decisions at this stage include the formulation of a common vision, goals and objectives, as well as a decision on the scope of the relationship. A business plan is then compiled for the relationship which should spell out such vision, goals and objectives as well as strategies and actions to achieve them.

### 5.6 Agreement/MOU

The relationship is then formalised through the signing of an agreement or a memorandum of understanding (MOU). Such a document is normally signed in public at a public ceremony, adding symbolic value to the relationship whilst at the same time obtaining publicity and community awareness. The agreement or MOU normally spells out the areas of cooperation as well as the duration of the agreement and many other issues, such as divorce conditions.

### 5.7 Implementation

Successful implementation of the agreement entails (De Villiers, 2005):

- Top management commitment on both sides;
- Shared control/risk and rewards;
- Regular exchange of people;
- Active and frequent communication;
- Community-wide participation;
- Strong relationship building;
- Conflict resolution;
- Extensive alliance marketing; and
- The formation of sub-alliances.

### **5.8 Maintenance and measurement**

Once the relationship is implemented, its success or failure needs to be reviewed regularly. This can only be done if specific measurements have been agreed on in the planning phase.

### **5.9 Learning**

The alliance outcomes will determine whether goals and objectives are met and whether resources have been well spent. Over time, learning about alliances will take place which will, with the right knowledge management process, lead to increased alliance capability (and alliance success).

## **6. CONCLUDING REMARKS**

City-to-city partnerships, and specifically sister-city or twinning relationships, offer great potential for communities in South Africa if properly conceived and managed. This implies that a disciplined approach be followed in the partnering process where all steps indicated are taken into consideration. The resultant city-to-city partnerships will then provide a springboard for a multitude of sub-alliances that can be formed between the three main participant groupings on each side – i.e. the local governments, the civil society organisations, and the business sector.

But for the business sector to fully utilise this growing opportunity practical action is needed. In this regard it is suggested that businesses incorporate sister-city relations in their company strategic planning if appropriate and use it as an international springboard; and view involvement as an investment rather than a cost. Finally, it should be remembered that it takes time to build relations and extract value, and frequent communication and relationship building initiatives are vital for success in these long-term relationships.

The city-to-city partnership offers huge potential for forging local international relations facilitating, amongst other benefits, economic development and business growth. But this phenomenon is also hugely under-researched and virtually no research has been done into the involvement of the business sector in these relationships.

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