DYNAMICS OF DESTINATION DEVELOPMENT: INVESTIGATING THE APPLICATION OF TRANSFORMATION THEORY

ABSTRACT

In many countries, tourism has emerged to become an important economic sector, often replacing traditional industries such as agriculture. This process of change, whereby an economy restructures over time from one economic sector to another as a result of institutional change, has been termed transformation. Transformation as a result of tourism activity has been observed and studied within the literature, but the body of work is not well synthesised and there are definitional issues. In particular, few researchers have addressed the process of tourism transformation, specifically the dynamic interaction between structure and institutions. This lack of research foci has limited the development of long-run decision-making tools available to governments, resulting in difficulties when developing policies for tourism destination development. This paper investigates this gap by synthesising the tourism transformation literature to develop a theoretical framework to support future transformation research in a tourism context. The theoretical framework is based on four dimensions of transformation theory; time, space, structure and institutions.

Key words: tourism transformation, structure, institutions, destination management

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INTRODUCTION

The last century has seen many industrialised countries respond to declines in traditional industries, such as agriculture and manufacturing, by becoming service economies and shifting toward industries such as tourism (Cali, Ellis & Willem te Velde, 2008; Gallouj, 2002; Gershuny & Miles, 1983). A primary sub-sector of the service economy, tourism can be a key economic development strategy for governments (Hall, 1987). Indeed, governments often view tourism as a way to supplement income, grow foreign exchange earnings, employment and tax revenues, and deliver sustainable economic growth in both developed and developing economies (Dieke, 2003; Gartner, 2004; Wittwer & Horridge, 2007). Many nations, states, regions and local areas now actively promote themselves as tourism destinations and actively stimulate tourism activity and development to drive growth in their economies (Ritchie & Crouch, 2000). As a result, tourism has been changing and transforming the nature of the world's economies.

In many instances the economic transformation towards tourism has been problematic. This has been particularly apparent at the local government level where a lack of adequate support for the long-run process, combined with poor leadership, funding, institutions and long-run decision-making tools have limited the ability of governments to appropriately deal with the process and optimally develop tourism destinations (Kelly, 2002; Sorenson & Epps, 2003). In the past, the outcomes of poor decision-making have been attributed to a lack of knowledge surrounding the transformation process (Alexandra & Riddington, 2007). Arguably, as future generations are affected by past and present decision making, long-range planning needs to be adopted when setting policies to instigate change (Alexandra & Riddington, 2007; Mishler & Rose, 2007; Ogburn, 1965), and committing a destination to a course of action.

While numerous theories have been proposed to address the evolution of tourism destinations, how the structure of the industry and its institutions interact dynamically remains conceptually underdeveloped. An industry's structure can be defined as its sectoral composition, such as its output, employment and productivity (Breisinger, Diao & Thurlow, 2009). Institutions, on the other hand, are collective human designed action related to the sector, such as government strategies, plans, policies or laws, business or industry norms, social norms, cultural beliefs or the general patterns of consumer behaviour (Seliger, 2002; Geels & Kemp, 2007).

Emerging from systems theory, transformation theory is one approach that can be used to understand the dynamic interaction between structure and institutions that occurs when a system undergoes change. The literature has defined transformation as long-run structural shifts that result from institutional change (Geels & Kemp, 2007; Seliger, 2002). In the tourism literature there has been a growing interest in transformation theory (see Pavlovich, 2003; Sorenson & Epps, 2003; Hall, 2004). Nonetheless its application has been unsystematic and the body of work is not well synthesised. For instance, it is at the local government level where broader impact of industry declines can be more readily observed (Adams, Dixon & Rimmer, 2001; Milne & Ateljevic, 2001). However, there is little information addressing how structures and institutions interact as a local region undergoes tourism transformation (Agarwal, 2002; Rodriguez, Parra-Lopez & Yanes-Estevez, 2008; Scott, 2003). Like the search for strategic development tools to guide understanding of dynamic systems in biology, physics and economics (Corpataux & Crevoisier, 2007; McKercher, 1999, 2008), the tourism literature has sought to develop decision making tools and models to guide long-run local level tourism development.

Given the fragmented approach to transformation theory within the tourism literature the aim of this paper is to undertake a wide-ranging review and analysis of the key tenets of the theory. Specifically, the phenomenon of change within an integrative transformation framework is explored by drawing on several bodies of literature including evolutionary economics, institutional economics, systems theory, organisational theory and tourism evolutionary theories. From this review; a theoretical framework is proposed to support future transformation research in a tourism context. Theoretically such a framework is based on the premise that collective tourism institutions, including at the business and political level, can result in structural change within a destination and thus requires management. Practically, the development of transformation theory and the investigation of practical tools that could be utilised for modelling the theory provide the opportunity to close key management gaps that have long been an issue at the local government level. In addition this review of transformation theory offers clarity surrounding future research requirements in the tourism destination development field.

THEORETICAL APPROACHES TO THE DYNAMICS OF DESTINATIONS

As noted earlier, much attention within the tourism literature has been given to destination evolutionary research which has seen the emergence of numerous theories and models aiming to understand how destinations evolve and how they should be developed. Table 1 presents a succinct overview of some of the key theories or models in tourism destination evolutionary research that emerged from the review of the literature.

Table 1. Key Theories or Models in Tourism Destination Evolutionary Research

Theory or Model	Description and References
Early tourism destination development models	Focused on life-cycle growth or attributes, such as location, attractions and access (Christaller, 1963; Dann, 1977; Gunn, 1979, 1982; Gormsen, 1981; Wall, 1982).
The Tourism Attraction Life Cycle (TALC) model of evolution	Based on a logistic curve the theory suggests that a destination evolves through exploration, growth, development, consolidation, stagnation and then either decline, maintenance or rejuvenation (Butler, 1980). However, it has been criticised for only being a hypothetical cycle (Mercer, 1991; Aguilo, Alegre & Sard, 2005), for not being applicable to all tourism destinations (Cooper & Jackson, 1989; Getz, 1992; Gartner, 2004; Rodriguez, <i>et al.</i> , 2008), for being difficult to predict or identify lifecycle stages (Zhong, Deng & Xiang, 2007) and for being difficult to apply (Agarwal, 1997a; Strapp, 1988). TALC is also viewed as limited as it ignores the supply side of tourism and institutional development (Hovinen, 2002; Papatheodorou, 2004; Gartner, 2004) and is deterministic and symmetric, rather than emergent (Choy, 1992; Haywood, 1986).
Natural selection and structural forces	Builds on biologist Charles Darwin's (1859) work and focuses on species evolution and survival of the most competitive (Leakey, 1979). Haywood (1986) postulated natural selection in a tourism context and suggested seven major economic and social forces that can determine whether a tourism destination is successful or not.
Resort restructuring thesis	Focuses on rejuvenation and restructuring strategies (or institutions), suggesting that systems undergo change and decline occurs when a system fails to adapt (Agarwal, 1997a, 1997b, 1999, 2002). The theory has been criticized for only providing a series of strategic options to overcome visitor decline, struggling to explain causes of decline, being reactive, being focused on mass tourism coastal resorts; and, being focused on certain processes and ignoring other important considerations like social factors (Graham, 1992; Agarwal, 2002; Rodriguez, <i>et al.</i> , 2008).
The Tentative Beach Resort Model (TBRM)	A spatial model which describes the progress of a resort from a natural to an urban beach (Smith, 1992).
Cluster theory	Originating from the work by of Porter (1985, 1990), cluster theory hypothesises that cluster groups allow for private sector leadership, innovation, productivity, networking and growth and that through differentiation and specialisation they strengthen the product base which reduces the need for government support (Jackson, 2006; Lynch & Morrison, 2006; Taylor, McRae-Williams & Lowe, 2007).
Broad context model of destination development scenarios	Suggests that there is a need to regulate tourism resources to ensure growth is sustainable and that regions are able to take on different types of strategies, with some being more sustainable than others (Weaver, 2000).
Chaos theory	Chaos theorists' advocate that a system has an uncontrollable random element that cannot, and should not, be controlled for (as it is self-correcting) and, instead, it should be left to its own devices (Abraham, 1991; Allen, 1981, 1982; Gleick, 1987; Li & Yorke, 1975; May, 1976; Mayntz, 1997; Zahra, 2006; Zahra & Ryan, 2007). Chaos theory is about structural change that is random, complex and uncontrollable.

Structuration theory	Tourism can be viewed as a complex system that undergoes structuration through the development of new tourism products (Scott, 2003). The structuration theory suggested there is interaction between supply and demand and provided a mechanism for what fundamentally drives development and growth of new tourism products.
Transformation theory	Emerged to incorporate the social dimensions of tourism destination evolution, where human institutions are prevalent and easily identifiable (Bruner, 1991; Gonen, 1981; Hudson, 1987; McGoodwin, 1986). Other tourism constructs of transformation have included individual product transformations (Hudson, 1999; Stymeist, 1996; Zhong, <i>et al.</i> , 2007), logistics systems (Mrnjavac & Ivanovic, 2007; Ivanovic & Baldigara, 2007) and multiple tourism products, such as a destination or region (Gartner, 2004; McLennan, 2005; Nepal, 2007; Pavlovich, 2003; Saarinen, 2004; Saarinen & Kask, 2008; Sorenson & Epps, 2003) or a country (Airey, 1997; de Holan & Phillips, 1997; Hall, 1991, 2004; Kotlinski, 2004; Jaakson, 1996; Macaulay, 1994; Popesku & Hall, 2004; Sergeyev & Moscardini, 2006; Taylor Jr & McGlynn, 2009).
The Resort Development Spectrum (RDS)	Builds on supply-side partial economic equilibrium theory to qualitatively understand the role of the market in relation to the development of resort areas (Prideaux, 2000). A limitation of partial equilibrium theory is that it does not account for feedback or crowding out effects as the result of interactions with other industries.
Tourism flows	An endogenous model which illustrates the interaction of market and spatial factors graphically and was developed by examining evolutionary patterns in tourism using an economic geography perspective (Papatheodorou, 2004).
Episodic model	Suggests tourism growth occurs in sporadic incremental stages and that following each tourism economic change, social and environmental changes would occur in an inverse logistic way (Carter, 2004).
Multi-trajectory model (MTM) of tourism destination change	Builds on the transdisciplinary trajectory theory and focuses on turning points. It suggests that a tourism destination is a dynamic system with multiple 'levels', each of which can be in different states of change at one time (Breakey, 2005).
Predator-prey	A scenario model which builds on species evolution to predict the lifecycle pattern for resorts by incorporating assumptions for the type of tourism, such as mass or nature based tourism (Hernandez & Leon, 2007).
Modified Solow's growth model	An accounting model, similar to Solow's economic growth model, which is used to explore if tourism guarantees long-run growth (Parilla & Font, 2007).
Resilience theory	Stemming from ecology and based on adaptive theory, this theory postulates stability, control and system maintenance to ensure sustainability and appropriate environmental management (Schrader-Frechetter & McCoy, 1993; Holling, 1996; Carpenter, Walker, Anderies & Abel, 2001). It has recently proliferated into the tourism literature (Wegner, Allison & Tremblay, 2009).

Perhaps the most seminal paper in this research area was Butler's (1980) Tourism Attraction Life Cycle (TALC) model of evolution. This model acted as a heuristic device and generated elevated academic interest in conceiving a general tourism destination development theory. While influential, TALC has often been heavily criticised within the literature (see Table 1) and in response, researchers have attempted to develop more encompassing destination evolutionary models. Notably complex systems' theories have emerged, such as chaos and transformation theories, and these have been developed as they can incorporate the triple bottom line, destination management and hierarchical relationships (see Carlsen, 1999; Goeldner & Ritchie, 2006; McDonald, 2006; Pavlovich, 2003; Russell, 2000; Russell & Faulkner, 1999, 2004).

In particular, chaos theory has received considerable attention within the tourism literature, emerging as a tool to describe the historical contention between government and the private sector which arose from poor management structures leading to conflict, poor problem resolution and gaps in strategic planning (Faulkner & Russell, 1997, 2001; McKercher, 1999; Russell, 2000; Russell & Faulkner, 1999, 2004). The theory conforms to disequilibrium suggesting that strategic plans will fail and changes are *a periodic* (Russell, 2000). While major shifts in trajectories occur, it has been observed that there are broad trends and similarities in patterns across time, such as the rise and fall of civilisations, which suggest that structural economic change is more transformative than chaotic (Corpataux & Crevoisier, 2007; Olson, 1982; Sergeyev & Moscardini, 2006; Yeoman, Greenwood & McMahon-Beattie, 2008).

Chaos theory has also been dismissed for being difficult to quantify or measure and 'politically reactive' as it is determined only in hindsight (Scott, 2003; Young, 1991; Zahra, 2006). It has also been criticised for allowing a system to determine its own path which may

allow it to potentially follow inappropriate trajectories (Loye & Eisler, 1987). This has been recognised in the tourism literature and has resulted in an increasing body of literature focused on controlling and strategically managing systems through system change (Faulkner & Vikulov, 2002; Ritchie, 2004). In tourism there are examples where destinations have departed from chaos theory's framework by developing institutions and strategically instigating change in order to avoid decline and continue growth over the long-run (Claver-Cortes, Molina-Azorin & Pereira-Moliner, 2007; Jaakson, 1996; McLennan, 2005; Pavlovich, 2003; Saarinen & Kask, 2008). These studies postulate that it is possible for strategic tourism transformation to occur.

This growing recognition in the broad literature that change can be influenced by collective human action, or institutions, has seen some evolutionary economists' link structural change with institutions resulting in the development of transformation theory (Land, 1973; Malaska, 1991; Ogburn, 1965). Transformation theory originally emerged from the evolutionary theorists' debate over whether system change occurs in the traditional way (through adaptation), or if it occurs in a chaotic or transformative manner (Devezas & Corredine, 2002; Faulkner & Vikulov, 2001; Zahra & Ryan, 2007). Indeed, transformation theory is the synthesis of the traditional and chaotic change concepts (Loye & Eisler, 1987).

The transformation theory suggests that change occurs through ongoing cyclical patterns that are usually described as a three stage transition process that commences in a steady state, undertakes change and then enters a new equilibrium before recommencing a new transition (Geels & Kemp, 2007; Lewin, 1951; Sergeyev & Moscardini, 2006). Arguably, transformation has suffered definitional problems that stem from it being reduced to just 'transition' (Galvani, 2004; Hall, 2004; Seliger, 2002). However, while transition describes a single change process, such as converting inputs into outputs (Skyttner, 2006), transformation

is broader and is concerned with multiple, ongoing or open-ended restructuring that changes a system, often through system learning (Gartner, 2004; Hall, 2004). The process can be broken down into individual shifts but this detracts from its paradigmatic meaning.

Transformation theory has numerous strengths which support its further investigation and development within the tourism destination evolutionary literature. For example, it is a long-run theory that can allow for long-range planning, it provides insight into and strategies for rejuvenation and it can incorporate the triple bottom line, destination management and hierarchical relationships. Perhaps most importantly, it provides insight into the dynamic interaction between structure and institutions which remains relatively unexplored within the tourism literature.

The review of the literature presented in this paper indicated that the transformation literature, in tourism and even more broadly such as in economics and systems theory, debates concepts surrounding four interrelated dimensions: time, space, structure and institutions (Agarwal, 2002; Breakey, 2005; Carlsen, 1999; Gale & Botterill, 2005; Hafsi & Zhilong, 2005; Nepal, 2007; Saarinen, 2004; Zomeni, Tzanopolos & Pantis, 2008). These four broad dimensions each have their own individual theories and concepts which sometimes, but not always, cross over into discussions of other dimensions. For example, time is commonly discussed alongside spatial premises (Corpataux & Crevoisier, 2007; Janelle, 2004). The remainder of this paper discusses the key concepts of the framework drawing on the literature to clarify the key premises of each dimension and details potential research opportunities.

TIME CONCEPTS

Sequential and cyclical time patterns

Time is the first of the four key dimensions of tourism transformation. Sequential time is associated with history and path dependency (Saarinen, 2004) and has been the key focus of evolutionary economics search for the functional form of structural change to enable accurate forecasting of future economic change (Woollett, 2007). Changes over sequential time have also been investigated within the tourism literature (Butler, 1980; Khadaroo & Seetanah, 2007a; Pike, 2010). While sequential time has emerged as an important concept for transformation theorists' (Jaakson, 1996); they have also advanced cyclical time concepts (Corpataux & Crevoisier, 2007; Olson, 1982). The rise and fall (or cyclical) patterns of transformation have also been recognised in the tourism literature (Agarwal, 1997b; Gale & Botterill, 2005; Plog, 1974). However, there is little research into recurrence or repetition in structures and a common problem with many quantitative forecasting models is that they are limited, reactive and seemingly depart from reality over the long-run (Brocker, Kancs, Schurmann & Wegener, 2002; Huss, 1988; Prideaux, Laws & Faulkner, 2004; Glover, 2006).

Similarly, forecasting is also often criticised for its heavy reliance on historical data; that is often substandard in nature (e.g., lack of data, missing data or breaks in series) and has difficulties with predicting an uncertain future (Glover, 2006). Limitations are also associated with the inability of forecasting tools to appropriately incorporate qualitative information (Huss, 1988). There is evidence however that these limitations are being addressed with a trend towards the use of scenario models and the fusing of both quantitative and qualitative information within a single model (Horridge & Wittwer, 2008; Prideaux, *et al.*, 2004; Glover, 2006; Wittwer & Horridge, 2007).

Within economics, researchers have overcome the challenges of limited historical data by investigating development across cyclical or ‘transition’ time, rather than over sequential or ‘calendar’ time (Falcetti, Lysenko & Stanfey, 2005; Falcetti, Raiser & Stanfey, 2002; Metelska-Szaniawska, 2008). This strategy requires holding time constant across years, but viewing time across the development spectrum. This perspective needs to be explored further in tourism as it has been hypothesised that a region’s development stage can determine its structural and institutional patterns and its ability to cope with particular shocks (Buhalis, 2000; Woollett, 2007). Furthermore, it is not clear whether different stages of a tourism destination’s development are homogenous (Haywood, 1998; Prideaux, 2000; Scott, 2003). Such a cyclical approach may allow for a theoretical model of long-run development to be devised to underlie tourism transformation across destinations.

Time lags of transformation

Time lags are a common issue to arise in time related concepts of the transformation literature. Theocharous (2004) revealed that there is a short time lag before political instability impacts on tourism and that recent events have the most influence. Similarly, the agricultural transformation literature indicates that a time lag occurs before economic progress impacts on society and the environment which suggests consequences are not felt by present generations, but by future generations (Alexandra & Riddington, 2007; Ogburn, 1965).

SPATIAL CONCEPTS

Different types of regions

Spatial concepts are the second of the four key dimensions that were identified in the review of the tourism transformation literature. Most tourism regions have some spatial differences and an area's particular form can determine how the destination develops (Gartner, 2004; Nepal, 2007; Saarinen, 2004). To develop evolutionary models, tourism researchers have overcome issues which arise due to spatial factors and limited historical data by investigating the development process only in coastal resort contexts (see Agarwal, 2002; Butler, 1980; Meyer-Arendt, 1985; McNutt & Oreja, 1996; Prideaux, 2000). However, this perspective has been criticised for being limited and not applicable to other types of destinations (Gartner, 2004; Hovinen, 2002). This point is emphasised by Prideaux (2000) who investigated the resort development spectrum in a coastal setting but acknowledged that similar economic relationships could “also occur in other tourism destinations and future research should be directed to identifying the particular relationships on the supply side that govern the development of destinations such as rural areas and mountain resorts” (p. 239). Other researchers have also identified commonalities across regions and argued that there is a need for development models which apply in many circumstances and destination types (Pearce, 2001; Smith, 1991). Arguably, understanding tourism transformation requires theorising beyond coastal destinations and there is potential to gain insights by re-evaluating how the complexity of space is approached.

Hierarchical levels

Spatial concepts also relate to the hierarchical system-sub-system relationships that occur at different levels of the tourism system. A system may link to lower level sub-systems' that have their own properties and non-linear dynamic growth paths. For example, a tourism system may occur at a local, regional, state or national level, with the lower levels composing part of the higher level systems (Breakey, 2005; Milne & Ateljevic, 2001; Nepal, 2007). These hierarchical linkages set the study of tourism within the realm of complex systems' theory (McDonald, 2006; McKercher, 1999; Scott, 2003).

STRUCTURAL CONCEPTS

System impacts

The structure of a destination, that is its sectoral composition, is the third key dimension commonly discussed within the tourism transformation literature. Various economic structures can have differences in terms of their inter-regional flows and crowding out effects which impact on the way tourism develops in a region (Adams & Parmenter, 1993; Barry & Robins, 2001; Dwyer, Forsyth & Spurr, 2004). The tourism industry has some structural characteristics that apply to all destinations and there is evidence that these depend on the phase of tourism transformation (Yeoman, *et al.*, 2008). For instance, Woollett (2007) noted that "the effects of an exogenous shock on the system will differ depending on which stage of the logistic process the system is at" (p. 138). He argued that a constructing system has a greater capacity to deal with shocks than a mature region. This is supported by Buhalis (2000) who argued that there can be different patterns for different destinations at each stage of the life cycle process. There is a considerable field of quantitative research associated with

the tourism industry's economic structure (Dwyer, Forsyth & Spurr, 2004; Hazari & Ng, 1993; Hazari & Sgro, 1995; Papatheodorou, 2004; Prideaux, 2000; Lee & Chien, 2008). However, the review of the literature undertaken for this study did not uncover any quantitative studies that investigated the relationship between structural and institutional change in a tourism context at the local level.

Clustered networks

Clustering and networks are often linked to structural concepts of tourism transformation. Regional and rural businesses are often observed as clustering together to transform into larger economies that are more highly composed of services, such as tourism (Gartner, 2004; Sorenson & Epps, 2003). In the case of the Waitomo Caves, New Zealand, Pavlovich (2003) discussed how the tourism destination evolved from a single attraction destination to a 'multicentred' network; a system comprised mainly of small firms with no centralised leadership (Liu & Brookfield, 2000). Likewise, Scott, Cooper and Baggio (2008) also took a network approach to examine inter-organisational structural relationships between organisations in four Australian tourism destinations and found evidence of clusters. Their study concluded that more urbanised destinations have greater cohesion, indicating differences in structures and institutions across the development spectrum.

A holistic approach

As an industry sector, tourism can also be viewed as a lower level sub-system to the wider economic, social and environmental systems'. This has been recognised by Faulkner (2002) who noted that the tourism industry is integrated with other economic sectors and wider social and environmental dimensions of a region. Emphasising connectivity, Pavlovich

(2003) argued that there is a need to better understand the tourism industry's structure. She proposed transformation theory as it aligns with the whole of destination approach and can describe dynamic system change. Such holistic considerations imply taking a destination management perspective to tourism development (Russell & Faulkner, 2004).

Triple-bottom-line perspective

Initially transformation theory focused on the economic and social aspects of a system (Loye & Eisler, 1987). The emergence of the sustainable development concept placed emphasis on the environment (Carlsen, 1999; Martens & Rotmans, 2005) and it is now commonly accepted that a tourism destination's structure should be defined by the triple bottom line (Butler, 1980; Carter, 2004; Faulkner, 2002; McDonald, 2006; Prideaux, 2000). A sustainable tourism development platform is considered the only viable strategy for growth (Popescu & Hall, 2004) and most tourism destination evolutionary theories postulate all three elements (Baidal, 2004; Carlsen, 1999). This changed emphasis, has seen a consequent shift in the transformation literature to consider the environment, alongside economic and social structures (Martens & Rotmans, 2005). Certainly, the triple bottom line has implications for the tourism industry as it means the system needs to be able to adapt and change to these external pressures (Hall, 2004; Russell & Faulkner, 2004). Furthermore, these external elements need to be considered when setting tourism policy (Faulkner, 2002) as it is indicated in the literature that there is an inverse relationship between economic development and the impact it has on social and environmental structures (Carter, 2004; Gonen, 1981).

Tourism activity can result in socio-cultural issues, particularly when it is first initiated within a region (Hudson, 1987; McGoodwin, 1986; Moyle, Croy & Weiler, 2010). For instance, McGoodwin (1986) studied the development of road access to a small rural fishing

community, which had resulted in socio-cultural issues and social transformation.

McGoodwin (1986) concluded that planners should anticipate and account for such issues in order to reduce their negative impacts. In contrast, environmental issues tend to be more noticeable the further along the destination is in the development process (Alexandra & Riddington, 2007; Butler, 1980; Hudson, 1999). For example, as tourism became more developed in Dunn's River Falls, Jamaica, the destination had increasing environmental issues (Hudson, 1999). In reaction to these issues, management aimed to redevelop the area and upgrade its environmental standards to ensure decline was avoided. Setting capacity limits on visitor numbers or modifying the way tourists' experience the Falls' was suggested as a means to reduce the impact of tourism (Hudson, 1999). However, it has been observed that stagnation and decline are not the result of carrying capacity or tourism related development, but rather due to broader socio-political factors and increased environmental issues (Saarinen & Kask, 2008). This reciprocal relationship suggests a more holistic approach needs to be adopted when considering destination change (Faulkner, 2002).

There is a significant body of literature investigating the relationship and interaction between the tourism system and the environment (Alexandra & Riddington, 2007; Gössling, Hall & Weaver, 2008; Lundie, Dwyer, & Forsyth, 2007). A concept gaining prominence in this field is 'resilience' theory which, having originated from ecology, postulates sustainability, environmental management and system maintenance (Schrader-Frechetter & McCoy, 1993; Holling, 1996), but arguably the concept has definitional problems (Carpenter, Walker, Anderies & Abel, 2001). Resilience has been defined as the ability of a system to maintain its current structure, function, identity and feedbacks when it is disturbed without restructuring or changing to a different set of processes (Carpenter, *et al.*, 2001; Gunderson, Folke & Janssen, 2006; Gunderson & Holling, 2001). Conversely, resilience has also been associated

with disequilibrium and defined as the measure of the ability of the system to return to equilibrium following disturbance (Pimm, 1984; Tilman & Downing, 1994) and as the ability for a system to maintain productivity and reorganise in the face of a changing environment (Alexandra & Riddington, 2007). While resilience theorists adopt concepts of traditional change theory (Vogt, Banana, Gombya-Ssembajjwe & Bahati, 2006), their general premises align closely to cyclical concepts in evolutionary economics and transformation theory (Huang, Wall & Mitchell, 2007; Schumpeter, 1942). This is embodied in the following statement by Carpenter, *et al.* (2001):

“According to the theory of the adaptive cycle, dynamical systems... do not tend toward some stable or equilibrium condition. Instead, they pass through the following four characteristic phases; rapid growth and exploitation, conservation, collapse or release (“creative destruction”) and renewal or reorganization” (Carpenter, *et al.*, 2001, p. 766).

INSTITUTIONAL CONCEPTS

Institutions as drivers of transformation

The fourth dimension that was identified in this review of the tourism transformation literature relates to institutions. Institutions, or collective human action, are commonly proposed as important underlying factors in tourism development and have often been noted as areas requiring further research (Agarwal, 2002; Breakey, 2005; Onkvisit & Shaw, 1986; Saarinen, 2004; Scott, 2003). Scott (2003) suggested that different stages of tourism destination development are not the same, but are rather more complex due to the influence of human agency and argued this element requires further investigation.

Undertaking research into tourism institutions, Saarinen (2004) proposed that two key components form a destination's identity. The first is the "discourse of region" (Saarinen, 2004, p. 167) which refers to the tourism image, knowledge, meanings and natural and cultural features that relate to the destination. He suggested that over the course of the transformation process these elements slowly stereotype resulting in a loss of differentiation between destinations. This implies that destinations which are more developed would be considered less 'unique' than those in which tourism has just commenced. The second is the "discourse of development" (Saarinen, 2004, p. 167) which represents the institutions, practices and larger processes that construct the destination. These institutions relate to the holistic and hierarchical concepts discussed earlier and originate from higher level systems but interact with and govern the tourism industry.

Paradoxes of transformation

A number of paradoxes of transformation can be observed in the tourism literature, generally related to institutional concepts. One common paradox occurs when tourists are attracted to the unspoiled nature of the destination, but their increasing visitation erodes the attributes they seek to experience. This generally adversely impacts on the experience or transforms the traditional lifestyle into a more urban or globalised one (Agarwal, 2002; Bruner, 1991; Dahms & McComb, 1999; Zhong, Deng & Xiang, 2007; Gartner, 2004). However, this paradox does not always occur consistently. When assessing population change in the Mediterranean coast, Gonen (1981) noted that large-scale coastal tourism transformation had resulted in the population sprawling, rather than becoming concentrated in urban centres.

A number of notable paradoxes have been associated with Cuba due to its unique economic and political structures that are a result of both its governance by revolutionist Fidel Castro

and its dependency on tourism (de Holan & Phillips, 1997; Macaulay, 1994; Taylor Jr. & McGlynn, 2009). Macaulay (1994) observed an inherent stability in Cuba's political system despite economic transformation and described the country as being in 'construction' driven by tourism development. However, the integration of international tourism into Cuba brought social issues, such as 'tourist apartheid' which set tourists as an elite social class and led to an increase in luxury goods which the Cubans desired and worked to obtain; resulting in the country shifting further from socialism to capitalism (Macaulay, 1994). Taylor Jr. and McGlynn (2009) argued that socialism and capitalism can converge if socio-economic factors are maintained and improved in the political system. Despite being a highly capitalist form of industry, tourism can contribute towards a country's sustainable development by alleviating poverty and integrating the global economy thereby bringing cultural exchange, understanding, open-mindedness and awareness (Taylor Jr. & McGlynn, 2009). However, de Holan and Phillips (1997) argued that Cuba's mass tourism transformation had left it unsustainable, inefficient and vulnerable to decline. They argued increased social and environmental problems would make it difficult to change strategies later and altercation that the Cuban government did not have the capacity to manage tourism appropriately.

Case studies from the former Soviet Union also indicate institutional issues and paradoxes in tourism transformation associated with the transition from centrally planned to market based economies (Jaakson, 1996). In Hungary one contradiction is increasing foreign direct investment in tourism despite international visitor numbers remaining low (Behringer & Kiss, 2004). Another is observed in Estonia where it is considered that tourism development is commodifying minority cultures, despite the Estonian citizens believing that their culture dynamically evolves, particularly with the shift away from Soviet institutions (Worthington, 2004). In terms of events, Bruner (1991) and Stymeist (1996) similarly observed that tourism

events can evolve to become more commercialised, resulting in their underlying social institutions changing. Both Bruner (1991) and Stymeist (1996) noted there was an element of disconnection between tourists and the event which confused and degraded the tourists' appreciation for the culture, rather than creating cultural understanding. However, Stymeist (1996) argued that tourism events do help host cultures understand and continue their own traditions and develop community cohesion.

With so many paradoxes of transformation, it is often debated whether economic progress and tourism development is a positive or negative force for society. When it is considered to be negative, the argument is that it eliminates cultural differences and destroys positive aspects of some lifestyles (Dahms & McComb, 1999; Hudson, 1987; McGoodwin, 1986). Conversely, it is argued that societal change is necessary as economic development alleviates poverty and minimises marginalisation (Buttel, Kenney & Kloppenburg, 1985; Taylor Jr. & McGlynn, 2009; Zomeni, *et al.*, 2008). In the environmental literature it is also recognised that further social transformation to a sustainable development platform is needed to preserve the deteriorating environment (Schweitzer, 2007; Taylor, 2008). The clear paradoxes that occur in institutions, as well as social and environmental structures, as a result of economic transformation support the need for further research into the relationships that exist between these factors.

Institutional issues and problems

Closely aligned to the literature discussing paradoxes of transformation, a number of case studies have suggested that issues and problems in government institutions are the cause of ineffective and inappropriate tourism development (Alipour & Kilic, 2004; Schofield, 2004; Theocharous, 2004; Sergeyev & Moscardini, 2006). These issues and problems are often

attributed to poor tourism policy (such as positioning, coordination and investment), a lack of government support, a narrow perspective, high level of corruption and broad political instability; and as a result, many researchers doubt whether positive tourism transformation actually ever occurs (Briedenhann & Butts, 2004; Hall, 2004; Sergeyev & Moscardini, 2006; Yang, 2006; Wu & Haung, 2008). It is often argued that transformation through government deregulation, intervention and institutional development is required to overcome the issues and problems and to stimulate tourism development (Airey, 1997; Alipour & Kilic, 2004; Kotlinski, 2004; Theocharous, 2004). The literature also suggests that for destinations to undergo successful tourism transformation they require effective tourism policy, few deterrents to visitation and ongoing education, training, research, development and performance measurement (Airey, 1997; Briedenhann & Butts, 2004; Russell & Faulkner, 2004; Sorenson & Epps, 2003); indicating a need for on-going system learning.

System Learning

The development of institutions in a destination is congruous to system learning; a process of continually developing rules or beliefs that impact on or guide a system (Schianetz, Kavanagh, & Lockington, 2007). Transformative ‘system learning’ theory suggests that a system can ‘learn’ to adjust and adapt to systematic changes and paradigmatic shifts in its environment. Learning occurs by changing processes, values or institutions that allow greater stability or more directed change (Argyris & Schon, 1996; Senge, 1990). System learning in tourism has been identified by numerous researchers and used as a concept to explain the development of institutions within a destination (Agarwal, 1997a; Farrell & Twining-Ward, 2004; Khadaroo & Seetanah, 2007b; McNutt & Oreja, 1996; Prideaux, *et al.*, 2004; Schianetz, *et al.*, 2007; Vail & Heldt, 2000). System learning often occurs endogenously (Loye & Eisler, 1987; Prigogine & Stengers, 1984), but can also be influenced or directed

from exogenous sources. Saarinen and Kask (2008) observed that globalisation can facilitate a destination's ability to self-govern and actively contribute to its own transformation. This may indicate that a system 'learns' from other systems thereby enabling it to better manage its own transformation process.

Studies on transformation in organisations' recognise that they can learn and generate their own capacity for change (Chiang & Jang, 2008; Flood, 1999; Hinkin & Tracey, 1994; Senge, 1990; Senge, Kleiner, Roberts, Ross & Smith, 1994). To enable systems' to 'learn' more effectively, it is necessary to better understand the transformation process by analysing the phenomenon through research, but this in itself changes the system due to learning. While 'research' is clearly a critical aspect in the transformation process, little theoretical and applied economic and tourism work has taken the role of research into consideration (Corpataux & Crevoisier, 2007). The Learning Organisation (LO) framework (Senge, 1990) has been previously proposed as a valuable analytical tool for assessing the learning process in tourism organisations (Prideaux, *et al.*, 2004; Schianetz, *et al.*, 2007).

Working in the LO field, Spitzer (2007) devised the Transforming Performance Measurement framework which is a novel way to quantitatively assess transformation in an organisation's institutions. Spitzer (2007) suggested that organisations can control transformation through performance measurement and monitoring. He emphasised that transformation is a social process and that while 'maturity' can be seen as stagnant, it can also mean the system is more effective and fundamentally "much better" (Spitzer, 2007, p. 177). By adapting concepts such as the Transforming Performance Measurement framework which have evolved in the LO literature, tourism institutions at both the individual business level and at the political level can be monitored collectively and linked to structural change within the destination to enable the development of a tool for managing tourism system learning.

A TRANSFORMATION FRAMEWORK FOR DESTINATION MANAGEMENT

Transformation is driven by human institutions (Corpataux & Crevoisier, 2007) implying that these can be deliberately developed or modified to deliver structural transformation. Yet the literature suggests that transformation is far more complex. Alexandra and Riddington (2007) indicated that structural change can have a reciprocal impact on institutions. Furthermore, the outcomes of transformation may not always be what were intended by those who initiated the change (Seliger, 2002). Often the unexpected outcomes are more obvious and have the greatest impact on a structure.

A key concern in the tourism transformation literature is the role and responsibility of government (Briedenhann & Butts, 2004; Haung, 2004; McLennan, 2005; Pavlovich, 2003). The literature indicates that tourism clusters require leadership to grow and that direction can originate from government as well as from the private sector (Pavlovich, 2003). In examples from Australia, it appears that government leadership can be successful. In the case of the Gold Coast, Australia, tourism development was initially directed chaotically by the private sector (Russell, 2000), but when the industry stagnated it was observed that there was increasing government leadership and involvement in the tourism industry resulting in declines being offset (McLennan, 2005). Similarly, in Australia's Central West Queensland region, large-scale structural change to the tourism industry was instigated by government providing grants to establish core products, developing access channels in conjunction with local tourism development groups, private sector entrepreneurs developing new products and more focused collective marketing efforts (Sorenson & Epps, 2003). In North America, rural tourism transformation was mainly driven by market and economic forces rather than occurring in a planned manner (Gartner, 2004). Regardless, the process was aided by State government assistance, taxation legislation and the establishment of higher education which

aided the community's understanding and management of tourism activity. However, government intervention has not always been successful. In South Africa there was no major boom in tourism visitation despite the government promoting tourism as the panacea for economic development (Briedenhann & Butts, 2004).

It is often postulated that local or regional governments should self-direct and play a greater role in tourism development. Taking a local level approach can help to maintain a region's original character and distinct identity and address imaging problems that result from stereotyping (Saarinen, 2004; Saarinen & Kask, 2008; Schofield, 2004; Yamamura, 2004). This follows arguments for self-organisation arising from the systems theory literature (Allen, 1981, 1982; Foster, 1993, 1995). Further, structural changes and impacts have the greatest effect and can be more readily observed at the local level (Adams, *et al.*, 2001; Haung, 2004; Milne & Ateljevic, 2001; Pavlovich, 2003) and, at this level, institutional modifications are more likely to be effective (McLennan, 2005; Roberts, 2004). However, it is at the local level that difficulties, issues and paradoxes are more readily observed (Schofield, 2004; Worthington, 2004), which is problematic when combined with local governments limited funding (Kelly, 2002; Sorenson & Epps, 2003) and capacity to support long-run decision making with robust normative models of tourism transformation. Further, local destinations often lack the capacity required to implement tourism policy, which can result in poor synergy and the waste of scarce human and financial resources (Hall, 2004). Hall (2004) suggested that tourism is often considered strategically unimportant so may receive only limited budget allocations and as it can be difficult to implement in particular regions it can be viewed as a policy failure.

Transformation generally fails when there are poor government institutions and inappropriate government action, indicating a lack of knowledge and decision-making tools to enable

government to appropriately guide social change while still providing integration and stability (Hallegatte, Ghil, Dumas & Hourcade, 2008; Kupferberg, 1996; Williamson, 2000). As the transformation process is intertwined with human institutions, a model of the process should consider both structure and institutions. However, many structural models do not include institutional factors when modelling change and this has been considered their greatest weakness (Williamson, 2000). Incorporating structure and institutions in a single model may help explain system learning and reduce current structural change models' departure from reality.

Following a detailed review of the literature this paper found that destination evolution concepts and theories can be broadly categorised within four key dimensions: time, space, structure and institutions. Figure 1 is a comprehensive framework of the tourism transformation theory that arose from this research. Building on the four key dimensions, this framework synthesises and clarifies the concepts embedded in the tourism transformation process. This framework contributes to the current understanding of tourism transformation by drawing together existing knowledge on the theory and identifying gaps in the literature.

Insert Figure 1 here

CONCLUSIONS AND IMPLICATIONS

Tourism has been actively pursued as an economic development strategy by many destinations around the world. However, the process of transforming economically has been problematic, in part due to limited knowledge surrounding the transformation process itself (Alexandra & Riddington, 2007). Although numerous theories have been proposed to address the evolution of tourism destinations (Agarwal, 1997a, 1997b, 1999, 2002; Butler, 1980,

2006; Breakey, 2005; Faulkner & Russell, 1997, 2001; Haywood, 1986; Hernandez & Leon, 2007; Pavlovich, 2003; Russell & Faulkner, 1999, 2004; Scott, 2003; Sorenson & Epps, 2003), the literature on destination evolution has given little attention to how structure and institutions interact dynamically.

Consequently, this paper aimed to undertake a comprehensive review and analysis of the literature relevant to transformation. Originating from systems' theory, transformation theory explains the dynamic interaction between institutions and structure. Transformation theory has gained some prominence in the tourism destination evolutionary literature for its holistic and flexible approach to strategic destination management. Transformation theory has generally been studied through qualitative case studies focusing on social dynamics, single tourism products and on multiple tourism products at the regional and country destination level. The literature indicates that time lags often occur between current action and possible impacts or consequences implying a long-run perspective to development. Furthermore, the literature suggests system learning and maturity are key factors in institutional development and new techniques in LO theory have been evolving to quantitatively measure this more qualitative information.

Importantly, the review of the literature and the development of the theoretical framework has clearly indicated that there is more to learn about the four dimensions and that there is a need for further research and development into the transformation theory in order for it to be effective in aiding and enhancing tourism policy making. In particular it is important to better understand how institutions interact with a system's structure over the long-run. Another clear gap is at the local government area level where there is increased need for decision-making, but a lack of quantitative tools, incorporating both structure and institutions, to guide the process. The four dimensional framework is useful for guiding future research into the

tourism transformation process as it highlights research gaps and possible new perspectives that could be contributed to the field; such as developing cyclical time concepts, investigating spatial differences beyond coastal tourism destinations and addressing the interaction between institutions and structure. As with most conceptual work, this paper is limited by being underpinned by secondary research, along with primary researcher bias and subjectivity.

By developing and quantitatively modelling transformation theory there is potential to provide applied tools that could close key research and management gaps relating to tourism at the local government level. This study has highlighted that institutions can either deliver or hinder structural development and so it is essential that they are incorporated in structural change models. The institutional framework for quantitative modelling of the theory could be developed further by drawing on Organisational Learning theory and tools such as Spitzer's (2007) Transformative Performance Measurement framework. Further, there is opportunity to combine state of the art performance measurement and triple bottom line monitoring tools, such as CGE models, the Transformative Performance Measurement framework, perception surveys and environmental monitoring, within a single quantitative model to deliver a holistic tool that can guide long-run local level transformation and reduce issues of political paradoxes within tourism destinations. By initially taking a cyclical time strategy, as opposed to sequential time investigations, it may be possible to limit the influence of time and space and focus on the interaction between structures and institutions.

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Figure 1. The four dimensional framework of tourism transformation