

## **MEASURING THE IMPACT OF TOURISM: A 'TERRITORIAL' APPROACH**

Giuseppe Notarstefano, Serena Volo<sup>1</sup>

### **1. The changing face of tourism and the need for new impact studies' approaches**

The range, reach and nature of tourism and its stakeholders are changing and this calls for a re-examination of the way the information needs, for effectively planning and managing tourism, are viewed. The increasing importance of tourism to the development of local, regional and national economies -coupled with technological advancements, that make geographical boundaries less relevant to economic planning- is making many of the traditional tourism data resources and the related impact measurement methods less useful and in some cases even obsolete. The decline in their usefulness accrues less from a decrease in the relevance of the variables, and the geographical areas for which the data have traditionally been collected, than from an increase in the need for the data to reflect tourism related activity not just across multiple and differently defined geographical boundaries, but also across multiple dimensions of tourism related activity. Significant growth in both domestic and international tourism has blurred the relevance of geographical boundaries – local, regional and international – for purposes of economic planning, resulting in a need for economic planning to cover not just larger geographical areas, but larger and differently defined spheres of tourism-related activity. There have been admonishments from different institutions, organizations and tourism experts to take more seriously regional tourism (Massieu, 2012). This however, will require greater coordination and governance of tourism policies with an integrated and multi-level vision (OECD, 2011, p. 5). It will also require a multi-dimensional vision of tourism and the spheres of economic activities within and across which it plays out.

The digital revolution, and the virtual world it has birthed, makes geographical boundaries sometimes superfluous, and the growth in our understanding of tourism and the explosion of tourism products and modes of delivery has changed the

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complexion of tourism in facts as well as in the ways that tourists access and experience these products (Volo, 2012). These changes call for a new way of viewing the informational needs of planners at all levels of government and at all levels of economic and enterprise planning. There is a very basic need to redefine the “space” over which statistical data are collected, aggregated and analyzed (Volo and Giambalvo, 2008) and a need for more rigorous and discriminatory interpretations of different regional development paths (Camagni, 2007).

The “space” over which impact studies need to be defined goes beyond geographical boundaries and includes multiple dimensions of the physical and virtual realities within which the “tourism experience” plays out -as well as the behavioral antecedents and consequences of the stakeholders- in the planning, preparation, operation and maintenance of the “territorial experience” related activities. For example, the Internet expands the market of potential tourists that destination or territory can easily reach with their offering; and social media link participants across many boundaries of tourism activity (Volo, 2010). Similarly, new stakeholders have evolved e.g., environmentalist, who have increasingly become relevant forces that other stakeholders must reckon with.

The concept introduced and explored in this study is that of a tourism activity “territory”. The “territory” is defined as having both “physical and intangible” and “actual and virtual” properties and boundaries. It is represented as a network comprised of tourism-related activity and stakeholders, none of whom controls a majority of the network, but all of whom are affected by the actions of any part of it. It is further posited that the total overall stakeholder value creation potential of the network is optimized when all stakeholders act in concert with each other. Thus, to plan and manage the network effectively there is created the need for a new set of performance measures that reflect the contribution of each participant-stakeholder to the aggregate value created by the network. This paper examines what this tourism-activity-related network - the “tourism territory”- might look like, what data it would require to function effectively and how the collaboration of stakeholders might be incentivized.

In this regard, new approaches and tools are needed. In particular, there is a need for appropriate conceptual frameworks that can provide definitional and operational guidance and support for gathering more complex and detailed tourism data and evidence of related phenomena across a wider geographical area and over additional dimensions of more spheres of tourism related activity, while at the same time serving the need of local authorities to measure the impact of tourism at regional and local (i.e., sub-regional) level. Among the tools needed are certainly new and different information bases and statistics capable of articulating and documenting the variety of phenomena in a spatially redefined scale of

observation: in this sense a territorial approach can be useful for a greater and better understanding of the "facts of tourism".

## **2. Tourism and Territory**

The "territory" is increasingly regarded as a subject of economic and tourism planning and not just as context for it. For example, its growing importance in the analysis of social phenomena is attested to by the attention that scholars have paid to the issue and their reference to the space not only as "geographical" but as a place where a plurality and variety of "transformations" due to social action and cultural forces are taking place. The idea of territory as used in this report detaches itself from the idea of a mere geographic container and moves closer to the concept of an agglomeration of dense relational networks where interactions of different nature are generated. Tourism resources belong to the common heritage of mankind, and the communities of the territories where they are situated have particular rights and obligations with respect to them. Tourism is the social phenomenon that - perhaps more than other factors of mobility such as transitions in labor supply or production processes of relocation of labor demand - identifies the nature of territorial development as an evolution of a "trade-off frontier" where the balancing of activation and conservation of local resources and amenities plays out.

In recent years, some important signals have emerged from the tourism demand side, such as the increased intensity and volume of international flows (UNWTO, 2010), the growth in domestic tourist mobility, same-day visitors flows and residential tourism (Frechting, 2009, Manente, 2009). Furthermore, the commodization (Augè, 2007) of the tourist experience generates the widespread belief among economic agents and policy makers that any local tourist area (destinations actual or "potential") can somehow compete in the global marketplace, and some are exploiting their characteristics of "marginality" and singularity (Mignon, 2010). This reflects the growing awareness gained by researchers in the analysis of globalization, that the competition is to be played out mainly in absolute terms rather than relative terms and that specific local factors can, in this perspective, increasingly become an element of synthesis and value creation and realization (especially economic and productive) of physical plant and infrastructure and similar resources present in a geographic area (Camagni, 2007).

Tourism is increasingly perceived and thought of and talked about, particularly by program developers and local decision makers, as a "device" that tends to attract the resources of a territory, mobilizing and channeling them towards effective management. The basic premise is that more efficient deployment of the resources

and assets across a larger geographical areas and spheres of influence can generate previously unrealized value and increase the aggregate “territorial value creation”. In local development policies there is frequently, though often not adequately justified, an emphasis on tourism with a consequent need for a multi-level governance of tourism policies (Hall, 2008). In addition, the issue of sustainable tourism in the territories, with particular attention to small and very small or remote places (such as islands) is growing, hence the need to measure and evaluate the specific environmental and social impacts resulting from the pressure of increased human presence and exploitation of destinations and natural areas along with the effects on the production structure and the local economic cycle.

The focus on the territorial scale also allows the established division between positive impacts (usually economics) and negative (typically social and environmental) proposed in the literature to be neutralized (see Liu et al, 1987). Therefore, the attention of local public policies on tourism is growing within the sphere of awareness of the key role of the territory. Furthermore, while the definition of “sector, non-sector” given by Costa and Manente still appears to be the better one when referring to tourism, the awareness that, to measure and to predict the impact of tourism, a clear-cut explanation of its boundaries (which may not always be geographical is needed) is growing. Furthermore, a redefinition of the activities and the boundaries of what could be defined as the tourism sector, is essential for a more careful assessment of potential production and employment effects of tourism and the economic planning to support them.

A recent more articulated proposal has been made in an editorial by Pizam (2009) in which he defines the overlapping boundaries of the tourism, travel and hospitality industries. Such a redefinition is needed to identify the strategic implications that can be generated, within and between regions when embarking on a path of tourism development. The concept of territory as defined here, offers the opportunity to change the perspective in the evaluation of peculiar and specific abilities to sustain tourism development (see Candela and Figini, 2005). Therefore, a paradigm that can penetrate and elucidate the impact of various economic and activity dimensions along with various modifications and "tensions" as implied by this new way of thinking about the “tourism-relevant territory” is needed and, if developed, can advance our understanding of “spheres of tourism activity” and how to better harvest the opportunities to reap the optimal benefit of all stakeholders, while at the same time being environmentally neutral or positive and thus contributing as well to sustainability.

### **3. Measurements of Tourism Impacts**

The challenge of measuring the impact of tourism has for a long time been identified in the search for models to determine estimates of direct and induced effects observed on a production structure (impact as activation). In this sense, the trend of studies on the estimation of economic impacts has focused on input-output models and, more recently on CGE models and patterns of social and economic accounting (SAM). And it must be noticed that numerous studies have focused on this topic (for a review see Dwyer, Forsyth, Spurr, 2004). The idea of impact that emerges from different past approaches can be defined as follows: “activation, pressure and interaction”. Briefly, it can be said that the economic dimension considers the impact as a mechanism of activation of the productive and sectorial interdependencies and through direct and indirect impulse on employment and on value added. Whereas, the environmental dimension considers the pressures on the ecosystem and natural capital, and finally, the social dimension aims at detecting interactions between tourists and hosting communities with particular attention to cultural aspects, as recently noted by Deery, Jago and Fredline (2012).

Many attempts have been undertaken to jointly assess several dimensions of tourism impacts (Duffield, 1982; Frechtling, 2011; Gormsen 1997; Johnson and Moore, 1993; Mbaiwa, 2003). Examples include the work of Lindberg and Johnson (1997) and Alavalapati and Abramowicz (2000). But above all, we must remember the areas of study and the numerous attempts to build and apply more sophisticated models and accounting tools such as the social accounting matrices and the satellite accounts. A new territorial approach to measuring impacts must therefore leverage the following change of perspective: consider the territory as a subject from both the perspective of policies and that of measurement and construction of the necessary information supports, placing more emphasis on the role of local actors to identify and indicate levels of qualitative and quantitative performance expectations.

One theoretical construct which has been implicitly invoked in this paper is the notion of Territorial Capital, which is understood as a combination of factors that defines the specific geographical area (Camagni, 2007). The very idea of competition at the territorial level requires a rethinking in a strategically sound way of the formulation of objectives and policies, and when referring to the sustainability it requires the ability to look at the big picture and the long term to implement these objectives, and it requires the rigorous practice of evaluation as an expression of judgment on the public actions based on effective and structured information materials and conducted with rigorous and coded methods. For example, the construct of a value net would be relevant in this regard, and the value net analysis methodology could be useful if identifying the potential for increasing,

by any particular policy or action, the value creation within a territory. Then, the strategic planning and management principles of the balanced scorecard (BSC) could be profitably brought to bear on the production factors within a territory to achieve the “territorially optimal” outcome by measuring and incentivizing the activities of all players in, or critical to, the territory in a manner that maximize the aggregate territorial value creation.

#### **4. An integrated territorial approach: The *Balanced Scorecard***

The model proposed here for an integrated system of territorial planning and performance measurement is that of the Balanced Scorecard (BSC) developed by Kaplan and Norton (1996), with adaptations of those developments and applications as described by Vila, Costa and Rovira (2010), and by Ioppolo, Saija and Solomon (2012). The Balanced Scorecard is a strategic analytic tool of management derivation that aims to provide a Strategic Measurement System (Kaplan and Norton, 1996). With the Balanced Scorecard, enterprise or organizational performance is not limited to purely economic and financial indicators, but rather through a "dashboard" of four, broad but balanced performance categories: (1) economic and financial, (2) the customer perspective, (3) the perspective of internal processes, and (4) training and growth.

The purpose of the BSC is to balance the financial indicators, especially short term financial measures that may ignore or conceal longer term deficiencies and which tell more about past than future performance, with addition measures which are more likely to foretell the future value creation of the organization. Further, the BSC attends in its design to the fact that different stakeholders in the organization will not all view the company's performance in various areas similarly, that some stakeholders will view some performance measures neutrally, or even consider them as irrelevant, even if their long term interests are served by factors reflected in these performance measures.

Since it is axiomatic that management gets what management measures (Kaplan and Norton, 1992), we would expect to observe that stakeholders perform in a manner that conforms to what the organization measures, and implicitly therefore, what it values. So if the main performance measure is quarterly ROI's or production or sales volumes, stakeholders who will be affected by these measures, say in their compensation, and who are in a position to drive these measures will shape their behavior to conform to them. The problem, of course, is that actions that will maximize their performance for the quarter may be damaging to the longer term vitality of the entire overall organization. Further, and arguably more potentially damaging to the organization, is that narrowly defined performance

measures, though they may incentivize behavior that maximizes the performance of one department, operational area or division, may at the same time be at the expense of the performance of the others.

It is therefore critical that all stakeholders understand well what the measures are that signal the overall performance of the territory and how those measures reflect direct and indirect short and long term consequences to themselves, not just the measures obviously relevant to their own self interests. Importantly, when stakeholders are provided data that they would otherwise not be aware of, but which foretell the future performance and payoffs of the overall territory, including their own spheres of interest and areas of authority, they become more willing to buy into an implementation of the overall Balanced Scorecard concepts and the practices. Typical “across-territory measures” that would be relevant to the planning (strategic and operational) and impact evaluation of a territory’s tourism sector would include the following:

a) Customer perspective

Tourists: destination image and attractiveness, customer service levels, tourism and hospitality service product performance, value, price and quality, visitors’ motivations and experience, percentage of returning tourists, complaints, (relative) market share, etc.

Residents: economic advantages (e.g., employment, tax revenues), impact of tourism on the quality of life, load on the urban infrastructure, cultural and social conflicts.

b) Internal process perspective

Tourism and overall infrastructures and their management, hospitality vision of the community, productivity of the territory.

c) Learning and growth perspective

Qualified and motivated tourism, hospitality and travel workforce, territory-wide information systems, innovation in tourism offerings, and hospitality and travel services.

d) Territorial well-being perspective

Social (social statistics indicators), economic (foreign direct investment, tourism receipts), environmental results (environmental indicators)

The idea is that if each stakeholder is held accountable for making contributions, and stakeholders are measured on their contribution to all the areas that drive the long term vitality, sustainability and profitability of the territory, they will shape their behavior to the necessities for such wide range and long term performance. Consequently, each territorial “department, operational area or division” is measured not just on their performance on outcomes for which they

have clear, direct and indisputable responsibility, but on their contribution to the ability of other departments and operational areas to do the same. Thus, “territory managers-stakeholders” balance their resources and their efforts so as to maximize the benefit to the overall organization-territory-destination, not just the functions for which they have indisputable responsibility. Remarkably, balancing the criteria on which stakeholders and their units are measured and evaluated effectively drives their behavior toward balancing their effort for the long term benefit of the overall destination, and therefore indirectly their own long term benefit.

This last point is critical to the argument made here: that the Balanced Scorecard is a viable model with which to approach territorial planning, development and measurement, because it assumes that there are common benefits that can accrue to all stakeholders across a territory, as defined here – i.e., not just geographical – if they are made aware of, and are measured on, a more balanced set of performance criteria. Of course the definition of what these performance criteria should be will require research, development and experimentation, but those listed earlier can provide an idea of what they might be and even some guidance for identifying defining them. Furthermore, the ideas of “activation, pressure and interaction” the emerged from past studies on tourism impact could very well be integrated into the Balanced Scorecard approach.

The Balanced Scorecard had also quickly evolved into a comprehensive strategic management tool designed to insure alignment between the organization’s strategy and the programs and operational practices required to successfully implement it (Kaplan and Norton, 1996). In this sense it focuses the performance measurement system not just on the organization’s end result but also on the interim things required to achieve a good end result. In short, the BSC attempts to align what an organization seeks to achieve – i.e., its strategy -- with what it does – i.e., its operations. Further, the BSC focuses attention on what the organization needs to be doing in all areas of management, not just for short term results, but for sustained, long term results, including the development of new organizational forms strongly driven by and oriented to the strategy. Thus, the BSC marks a departure from traditional performance measures, based exclusively or predominantly on economic and financial related indicators, and a transition to a balanced approach that includes multiple measures in a multidimensional structure (Chytasa, Glykasb, and Valiris, 2011; Mendes et al., 2012).

In adapting the BSC methodology to the “territorial concept” advanced here, there are of course difficulties that will be faced that most organizations, even those of significant size (e.g., General Electric or regional governments) do not face. For example, while there may be minor, or even modest, differences of opinion within most organizations as to how to best serve the organization’s mission, there is typically at least general agreement as to what the mission is. On the other hand,

within the “territorial entity” as envisioned and described here, stakeholders may not only hold different views of the collective mission or perhaps not even agree that there is a common one, they will also likely hold different visions and beliefs as to how best to achieve the mission, even if they can agree as to what the mission is. In fact, the various stakeholders may not recognize, and may even debate or deny linkages that do exist between their collective welfare and survival. For example some stakeholders may see modernization of territorial transportation or communication infrastructure linking the components of the territory as essential while others will see no connection at all to their own welfare and survival. Or some stakeholders may feel antagonistic to certain cultural or linguistic traditions or requirements they feel burdensome to their financial objectives, while it may be the reason for the existence of others.

There are two important points regarding that adaptation of the BSC to the “territorial entity”. First, the adaptation of the concept that is being advocated here is more conceptual than it is operational. Second, the fate of the stakeholders in a “territory” will in fact be tied to many common, and commonly accessible, factors, and it is a long held view among sociologists and political scientists alike that any aggregation of society or body politic will benefit more when all elements of either are performing well and in concert with the others. The reason this fact typically is not exploited to the benefit of the components of the aggregation in what here we have referred to as “territory” is that there is no single governance structure that has the responsibility, readily accessible opportunity or the authority to mount such a campaign and enlist the participation of the stakeholders with the same gravity as single organizations can. This however, does not negate the adaptability of the BSC to our concept of “territory”, it merely changes the requirements of its implementation. Conceptually, the adaptation of the BSC for “territories” is the same as for single organizations. The challenge for “territories” is also the same as for organizations, that is, to get stakeholders to see that their own long term interests are tied not just to their own short term performance, but also to the long term performance and well-being of a range of stakeholders and that they should behave in a manner that optimizes the overall system, not just their own segment of it, and to then submit to performance measures that reflect how well they are doing this.

Finally it should be noted that there are a number of practical and methodological problems related to the implementation of the BSC methodology over a territory comprised of many qualitatively different stakeholders, some of whom may have what appear to be competing interests. Also, the identification, definition, measurement, weighting and aggregation of the optimal set of indicators will be a task of no modest proportions. An effective approach for applying BSC principles to a territory, we postulate, would be that of the “Proactive Balanced

Scorecard". The "Proactive Balanced Score Card" (Chytasa, Glykasb, and Valiris, 2011) as it would be applied to a territory, is a method that determines a process of engagement in order to define a common "strategic vision" for the territory and the steps required to translate the vision into action steps: the determination of the objectives for each area; the choice of operational definitions and measurement tools; the definition of specific targets; the definition of initiatives to achieve the target; the identification of the areas and the responsibilities for the initiative; the creation of "what if" scenarios through simulations, etc. The very act of attempting to define the physical and abstract boundaries of the territory, the actual and virtual dimensions of the territory, and stakeholders thinking collaboratively about the territory in terms of the BSC criteria can open new insights and identify potential opportunities for improving the value creation of the territory while improving its sustainability. A full implementation of BSC will actually realize the value creation potential and in a manner that can be embraced by all stakeholders.

## **5. Conclusion**

The nature of tourism and the spheres of activity relevant to managing it are changing both in character and in scope. Consequently, traditional statistical and management information resources are not adequate for effective tourism planning and for tourism impact evaluation because they are deficient both in scope and focus. To adapt to the evolving nature of tourism and realize the full value creation potential for all stakeholders, planners, managers and operators must adopt a new conceptualization of the "space" over which relevant tourism related activities occur and over which these activities must therefore be comprehended and managed. A "territorial space", which is not defined simply by geographical boundaries, but also by physical and intangible as well as actual and virtual boundaries is offered as a framework within which to conceptualize and approach planning and managing tourism in the newly evolved reality, and the BSC is as an effective tool for facilitating the implementation of a new approach in evaluating and studying the impacts of tourism as it could be well embedded into the "territory" concept and the Italian experiment on tourism districts will provide a perfect setting for applying the Proactive Balanced Scorecard to tourism.

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## SUMMARY

### **Measuring the impact of tourism: a 'territorial' approach**

The nature of tourism and the spheres of activity relevant to managing it are changing both in character and in scope. Consequently, traditional statistical and management information resources are not adequate for effective tourism planning and for tourism impact evaluation because they are deficient both in scope and focus. To adapt to the evolving nature of tourism and realize the full value creation potential for all stakeholders, planners, managers and operators must adopt a new conceptualization of the “space” over which relevant tourism related activities occur and over which these activities must therefore be comprehended and managed. A “territorial space”, which is not defined simply by geographical boundaries, but also by physical and intangible as well as actual and virtual boundaries is offered as a framework within which to conceptualize and approach planning and managing tourism in the newly evolved reality, and the BSC is as an effective tool for facilitating the implementation of a new approach in evaluating and studying the impacts of tourism as it could be well embedded into the “territory” concept and the Italian experiment on tourism districts will provide a perfect setting for applying the Proactive Balanced Scorecard to tourism.

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Giuseppe NOTARSTEFANO, University of Palermo, Department of Economics, Business and Finance (SEAF)– Palermo, Italy. giuseppe.notarstefano@unipa.it .  
Serena VOLO, Free University of Bozen-Bolzano; School of Economics and Management; Competence Centre in Tourism Management and Tourism Economics (TOMTE) - (Bolzano), Italy. serena.volo@unibz.it .