



SCHOOL OF  
ECONOMICS AND  
MANAGEMENT

Destination Facelift:  
Unveiling the Dynamic Capabilities that  
Rejuvenate Madeira Island

by

Ivelina Petkova and Sofia Rosin

May 2023

Master's Programme in International Marketing and  
Brand Management

Supervisor: Magnus Nilsson

Examiner: Sönnich Dahl Sönnichen

# Abstract

**Title:** Destination Facelift: Unveiling the Dynamic Capabilities that Rejuvenate Madeira Island

**Date of the seminar:** 2nd of May 2023

**Course:** BUSN39: Degree Project in Global Marketing

**Authors:** Ivelina Petkova & Sofia Rosin

**Supervisor:** Magnus Nilsson

**Keywords:** Destination Rejuvenation, Dynamic Capabilities, Destination Repositioning, Destination Diversification, Destination Marketing, Madeira Island

**Research Purpose:** The purpose of this research paper is to explore the dynamic capabilities that enable destination repositioning and diversification and investigate how they rejuvenate Madeira Island as a tourist destination.

**Theoretical perspective:** Destination rejuvenation was originally presented as a stage in Butler's (1985) Tourism Area Life Cycle Model (TALC), however, it has become an independent focus area in research that concerns the repositioning and diversification of tourism destinations. Destination capabilities are a theoretical concept that determines a firm's ability to innovate and modernize. This concept has received limited attention when investigating tourism destinations. The main theories presented in this study formed a three-component theoretical framework.

**Methodology:** The study adopted a qualitative research strategy with an abductive research approach. In total, eleven semi-structured interviews were conducted through a purposive sampling method with governmental, entrepreneurial and non-governmental stakeholders within the tourism industry of Madeira Island. The data was analyzed by means of a thematic analysis.

**Findings & Analysis:** From the results this study identified two types of capabilities that can be adapted when considering the rejuvenation process of tourism destinations, destination capabilities and entrepreneurial capabilities. These capabilities enable various local stakeholders in Madeira Island to contribute to the rejuvenation of the island.

**Theoretical & Managerial Implications:** The theoretical implications of this study emphasized the need for fostering collaboration and integration, as well as facilitating adaptation and innovation, and cultivating internal expertise. These components have been found to be crucial for destinations aiming to reposition and diversify. The managerial implications consist of a number of recommendations that underline the significance of preserving local identity, utilizing natural resources sustainably, and facilitating governmental support for successful destination rejuvenation.

# Acknowledgements

Our heartfelt appreciation goes out to the professors and staff at Lund University School of Economics for their unwavering support during the course of our Master's program in International Marketing & Brand Management. We are especially thankful for the valuable insights and knowledge shared with us, as well as the invaluable feedback and guidance provided by our supervisor, Magnus Nilsson. Additionally, we would like to extend our sincere gratitude to all the interview participants who generously spared their time and shared their thorough thoughts with us, which formed the basis of our research. Finally, we would like to express our deep appreciation to our family and friends for their unwavering support and encouragement throughout our entire academic journey.

Lund, Sweden  
31 May 2023



---

Sofia Rosin



---

Ivelina Petkova

# Table of Contents

Abstract	2
Acknowledgements	3
List of Figures	6
List of Tables	7
1. Introduction	8
1.1. Background	8
1.2. Problematization	9
1.3. Research Aim and Research Question	11
1.4. Intended Contributions	11
1.5. Thesis Outline	11
2. Literature review	13
2.1. Tourism Area Life Cycle	13
2.2. Destination Rejuvenation	16
2.3. Destination Transformation Strategies	17
2.3.1. Destination Repositioning	18
2.3.2. Destination Diversification	19
2.4. Destination Image	19
2.4.1. Destination Image Formation	20
2.5. Dynamic Capabilities	21
2.5.1. Resource-based View	21
2.5.2. Dynamic Capability View	22
3. Theoretical Framework	25
3.1. Destination Rejuvenation	25
3.2. Repositioning and Diversification	25
3.3. Dynamic Capabilities	26
3.5. The Interplay of Dynamic Capabilities, Repositioning, and Diversification in Rejuvenating Madeira Island	26
4. Methodology	27
4.1. Research Design	28

4.1.1. Case Study	29
4.1.2. Case Selection	29
4.2. Data Collection Method	30
4.3. Sampling	30
4.4. Interview Questions	31
4.5. Interview process	32
4.6. Data Analysis Method	33
4.7. Research Quality	34
4.8. Ethical considerations	36
5. Findings and Analysis	37
5.1. Case Description	37
5.2. Destination Capabilities	37
5.2.1. Local identity distinction	37
5.2.2. Natural resource utilization	40
5.3. Entrepreneurial Capabilities	45
5.3.1. Collaboration and Integration Development	45
5.3.2. Adaptation and Innovation Facilitation	48
5.3.3. Expertise and knowledge cultivation	52
6. Discussion	54
7. Conclusion	57
7.1. Main Findings	57
7.2. Practical Implications	57
7.3. Managerial Recommendations	58
7.4. Research Limitations	59
7.5. Future Research	59
References	61
Appendices	76
Appendix 1: Operationalization of the semi-structured interviews	76
Appendix 2: Interview Guide	78
Appendix 3: List of Respondents	80

# List of Figures

Figure 1. The theoretical framework of components facilitating destination rejuvenation.....	27
Figure 2. The dynamic capabilities facilitating destination rejuvenation of Madeira Island.....	56

# List of Tables

Table 1. Tourism sector categories chosen for the interviews.....31

# 1. Introduction

## 1.1. Background

In the North Atlantic Ocean, in a region known as Macaronesia, 978 km south of Portugal, lies Madeira Island. Madeira Island has drawn in visitors for many centuries, as a result of its impeccable local wine production, breathtaking landscapes and unique biodiversity. As a result of its mild subtropical climate, in the 19th century, Madeira Island became particularly known for its therapeutic qualities which attracted European nobility (Visit Madeira, 2023). The affluent over-50s that were once the centre of the desired tourism segment in the Madeira region was attracted by the premise of exclusive 5-star hotels and dazzling scenery (Mullen, 2021). Ever since the start of the 21st century, the tourism industry has been subject to significant changes that included the introduction of the internet which completely reinvented how destinations promote themselves around the world. A number of challenges have also been identified during this time, including global warming leading to the threat of natural and man-made disasters (de Almeida and Machado, 2019).

However, this was not the only unforeseen difficulty encountered by the global tourism industry and Madeira Island. The COVID-19 pandemic that hit the world in the spring of 2020 caused an unprecedented impact on the tourism industry of Madeira Island. Flight cancellations caused by worldwide travel restrictions and the fear of falling sick to an unknown illness forced millions of Madeira loyal tourists to postpone their vacations (Franco and Mota, 2021). As a destination that relied primarily on an older visitor segment, Madeira Island experienced a decline of about 70% in the number of overnight stays from 2019 to 2020, due to the impact of the COVID-19 pandemic (Statista, 2023). Instead of giving in to desperation and helplessness, the local authorities initiated action to attract younger tourists that were less scared to travel in contrast to older generations who were more cautious (Mullen, 2021). Besides attracting younger and more fearless tourists, the autonomous region of Portugal began reinventing itself to attract a stream of remote workers, steadily gaining a reputation as a “digital nomads” paradise (Palamountain, 2021). From creating integrative communities for the digital nomads to incorporating trendy food choices and providing unique experiences throughout the island, the change towards audience diversification is as clear as ever (Abel, 2022).

Such a reinvention in destination marketing and offerings is often referred to as ‘destination rejuvenation’, signifying the process of regaining the attractiveness of a destination. As a result, deep-rooted and old-fashioned management and marketing practices that rely on past successes are replaced by innovative strategies and activities to remain competitive and adapt to the market dynamics (Faulkner, 2002; Müller, Peters & Blanco, 2010). Such strategies employed by destinations in times of decline or crisis are repositioning and diversification. They mark the processes of rethinking and re-aligning the image of the destination (Agarwal, 1999) as well as expanding the range of experiences offered by the destination (Agarwal, 2002), with the end goal of attracting new target audiences and strengthening their market position.



## 1.2. Problematization

Tourism, like other emerging sectors in modern economies, is a constantly evolving industry characterized by its dynamic nature. It is an essential contributor to the global economy, providing employment opportunities, fostering cultural exchange, and driving economic growth. However, the tourism industry is also highly vulnerable, particularly during times of crises and disasters (Ritchie, 2004). The COVID-19 pandemic, which emerged in early 2020, has had a profound impact on the global tourism industry, leading to unprecedented challenges and disruptions worldwide. The implementation of travel restrictions, quarantine measures, and the cancellation of flights have resulted in significant economic losses and uncertainty (World Tourism Organization, 2023).

The COVID-19 pandemic stands as the largest disruption to global tourism since 1950, putting at risk the competitiveness and sustainability of tourist destinations (World Tourism Organization, 2023). The first ten months of the pandemic alone cost the industry \$935 billion in revenue (Madden, 2021). The effects of the pandemic have been felt across all levels of the tourism industry, from individual local firms to entire nations. The consequences have been particularly severe for regions heavily reliant on tourism, such as islands, where the sector plays a vital role in the local economy (Williams & Baláž, 2014). These regions have faced unprecedented uncertainty as tourist arrivals dwindled, leaving them economically fragile and exposed.

Even prior to the COVID-19 pandemic, island destinations were already grappling with significant challenges brought about by changing marketing trends and shifting consumer behaviors. The emergence of the internet and the growth of e-tourism had already begun reshaping the industry, posing a threat to conventional tourism management approaches, particularly in remote island destinations (Mills & Law, 2013). These destinations, which traditionally relied on conventional strategies, faced the risk of entering a decline phase in their life cycle, experiencing decreased tourist interest and potential economic viability (Aitken, Childerhouse & Towill, 2003; Östlin, Sundin & Björkman, 2009). Island destinations, due to their unique characteristics and geographical constraints, were especially susceptible to the changing dynamics of the tourism market, highlighting the need for innovative approaches to remain competitive and sustain their appeal to travellers.

However, crises have been known to foster creativity and spark innovative responses (Bhaskara et al. 2023). Amidst the challenges and uncertainties, some tourism regions have seen the crisis as an opportunity for destination rejuvenation – a chance to regain the attractiveness and competitiveness of the destination (Agarwal, 2002). Certain island destinations and enterprises have successfully rejuvenated and thus, reimagined themselves, embracing resilience and adapting to the changing circumstances (Kosmala, 2022). For instance, the Maldives, a popular tropical island destination, launched the "Maldives Border Miles" loyalty program during the pandemic. The program incentivized visitors with rewards for their repeat visits, encouraging them to return and explore more of the islands (Qubein, 2021). Additionally, the Azores, an archipelago in the North Atlantic Ocean, focused on promoting sustainable tourism practices during the pandemic. The destination encouraged visitors to engage in activities such as whale watching, hiking, and exploring volcanic landscapes, while emphasizing the importance of environmental conservation and responsible travel (Baixinho et al. 2023). These examples demonstrate how the COVID-19 pandemic has presented an occasion for tourism destinations to

proactively implement transformation strategies such as repositioning (redefining their position in the market and reshaping the destination's image) and diversification (expanding the range of products and experiences), in order to attract new target audiences (Agarwal, 2002; Butler, 2022; Claver-Cortés et al. 2007; Müller, Peters & Blanco, 2010).

A similar process of rejuvenation began occurring on Madeira Island during the pandemic. Recognizing the need for change, the destination authorities initiated strategies aimed at attracting a stream of younger tourists (Mullen, 2021). Thus, Madeira Island sought to move away from its traditional reliance on the older visitor segment and embrace a more diversified and balanced approach to tourism (Mullen, 2021). By attracting younger tourists, Madeira Island aimed to inject new energy into its tourism sector and diversify its visitor base. The autonomous region of Portugal recognized the shifting preferences and travel behavior of the younger generation, who were more inclined to explore unique experiences, engage in outdoor activities, and seek digital connectivity while traveling. These factors influenced Madeira Island's efforts to reposition and diversify, creating a more appealing and vibrant destination.

Furthermore, Madeira Island saw an opportunity to position itself as an attractive destination for digital nomads (Palamountain, 2021). With the rise of remote work and the increasing number of individuals seeking locations with a high quality of life and favorable working conditions, Madeira Island aimed to provide the necessary infrastructure and amenities to cater to this emerging market segment. By embracing digital nomadism, Madeira Island sought to attract individuals who could combine work and leisure, contributing to the local economy while enjoying the island's natural beauty and unique experiences.

The repositioning and diversification strategies undertaken by Madeira Island during the challenging times of the pandemic exemplify its proactive response to the evolving dynamics of the tourism industry. These strategies entailed a departure from traditional marketing practices, paving the way for innovative approaches to destination management.

Even though there is enough evidence to claim that Madeira Island is truly rejuvenating, it is still to be discovered what are the abilities that enable this transformation. A concept, often used to describe the ways organizations adapt, innovate, and respond effectively to market dynamics, is that of dynamic capabilities (Zhang, 2014). Especially in the context of crisis management and recovery, dynamics capabilities have recently garnered attention in the academic literature of tourism (Meñaca-Guerrero et al. 2021; Vereyenne, 2021). Nevertheless, existing research predominantly focuses on the context of individual tourism organizations, leaving unexplored academic territory concerning the link between dynamic capabilities and the entirety of a tourist destination and its various constituent parts. Moreover, there is currently no discernible academic link between the destination rejuvenation process and the dynamic capabilities, which presents a compelling opportunity for investigating the role of dynamic capabilities as an integral catalyst for the rejuvenation of tourism destinations.

Therefore, the aim of this thesis is to delve into the dynamic capabilities that enable destination repositioning and diversification, with a specific focus on the case of Madeira Island as a tourist destination. By investigating the dynamic capabilities deployed by Madeira Island and their impact on the destination's rejuvenation, this research aims to contribute to the existing literature and fill the gap in empirical research within the tourism and destination marketing field.

### 1.3. Research Aim and Research Question

The aim of this thesis is to explore the dynamic capabilities that enable destination repositioning and diversification and investigate how they rejuvenate Madeira Island as a tourist destination.

As a result, the research question for this study is formulated as:

*What are the dynamic capabilities that enable destination repositioning and diversification and how do they rejuvenate Madeira Island as a tourist destination?*

### 1.4. Intended Contributions

A previous research by Almeida and Correia (2010) investigated the position of tourism on Madeira Island from the perspective of the TALC model. The findings of that research concluded that it was too early to see whether or not rejuvenation has started on the island. In a way, this research complements the previous study by conducting an analysis now that takes it a step further, examining the capabilities that are facilitating the rejuvenation of the island. By exploring the phenomenon of destination rejuvenation in Madeira Island, the authors will investigate and provide a greater understanding of the capabilities and processes enabling repositioning and diversification strategies in the post-pandemic period. Additionally, this research will give an insight into how various stakeholders in Madeira Island are contributing to this change by providing insights from local entrepreneurs, government officials and non-governmental organisations. This study will contribute academically to the destination marketing literature surrounding dynamic capabilities and aim to customize them to fit the perspective of a destination. Finally, the researchers will provide practical recommendations that could function as an aid for the stakeholders in the Madeiran tourism industry.

### 1.5. Thesis Outline

This section of the chapter will provide an overview of the overall outline of this paper. The research paper consists of six chapters, each divided into sub-chapters.

The first chapter, the introduction, will provide a detailed problematization of the chosen topic, the formulation of the aim and the objectives that need to be achieved to meet the aim of the study. Furthermore, this chapter will contain a section that will argue for the contribution of this study in its relevant academic sphere. This chapter aims to give the reader background information about Madeira Island as a tourist destination and how the topic of rejuvenation applies to this particular study.

The second chapter, the literature review, is an in-depth analysis of the previous academic studies that include theories and concepts related to the research question of this paper. Four main concepts will be discussed: destination rejuvenation, Butler's Tourism Area Life Cycle (TALC), product transformation strategies and repositioning, destination image and formation of the destination image, and the concept of dynamic capabilities.

The third chapter will outline the theoretical framework that was constructed for this study. The purpose of this chapter is to give the reader an up-to-date overview and analysis of the literature

on the aforementioned topics that will serve as a starting point for the data collection and as an analytical framework.

The fourth chapter, the methodology, will outline the research design of this study. This chapter will argue for the choice of the research design adapted in this study. Some of the classifications that will be discussed are the research philosophy, research approach, the chosen qualitative method, data collection techniques, sampling, data analysis method and ethical considerations. The methodology chapter will also include an overview of the data collection process, guide and type.

In the fifth chapter, the analysis, the primary data collected for the purposes of this study will be presented and analyzed in a descriptive manner. This chapter will be supported by the quotes that were gathered during the data collection process.

The sixth chapter, the discussion, will interpret the findings with the goal of answering the research question and meeting the aim and objectives that were formulated for the purpose of this study.

Finally, the seventh chapter, the conclusion, will summarize the findings of the paper. Additionally, the conclusion will examine the practical implications and the managerial recommendations, the limitations of this study and some suggestions for future research in the field of destination marketing in relation to the topics of destination rejuvenation and dynamic capabilities.

## 2. Literature review

*The literature review chapter will provide an overview of the previous studies surrounding the concepts that are relevant to this research. The first section of the chapter will examine the literature behind the Tourism Area Life Cycle Model (TALC). Here, the authors will discuss how various studies have applied the TALC to their case tests. Additionally, this review will see how the model has evolved over time and its benefits and drawbacks. The second section will discuss the specific stage of the TALC which is destination rejuvenation. The third section will investigate the subject of transformation strategies including the process of repositioning and diversification in the tourism destination context. The fourth section will cover the destination image theory, which is an essential part of the repositioning process. Finally, the last section will delve into the concept of dynamic capabilities, linking it to tourism literature and the process of rejuvenation.*

### 2.1. Tourism Area Life Cycle

First introduced by Richard Butler in 1980, the 'Tourism Area Life Cycle Model' (TALC) is a conceptual model that is based on the concept that tourism destinations go through consecutive stages of development, each defined by various challenges and opportunities. In more simplified words, the model follows the destination from the moment of discovery, following an elevated visitor interest that will essentially lead to growth and become a destination of mass tourism with the social implications that may or may not occur. Depending on the quality of the resources that are available and the foresight of the tourism practitioners, the next stage could either be decline or rejuvenation.

A more detailed explanation behind every stage was formulated by Tooman (1997 p. 2017) for each of the six stages of the TALC:

1. *Exploration* - "Limited and sporadic visitation by a few adventuresome (allocentric) people. There is a high degree of contact with locals and use of their facilities, but with very little social and economic impact."
2. *Involvement* - "Increasing visitation induces some locals to offer facilities primarily or exclusively for visitors. Contact with locals is still high and many adjust their social patterns to accommodate the changing economic conditions. A tourism destination and season emerges and advertising is initiated."
3. *Development* - "Outside investment is attracted to the destination as a well-defined tourism market emerges. Accessibility is enhanced, advertising becomes more intensive and extensive, and local facilities are displaced by more elaborate and up-to-date ones. This results in a decline in local participation and control. Artificial attractions supplant original ones. Imported labor and auxiliary facilities and services become necessary to support the rapidly growing tourism industry."
4. *Consolidation* - "The major portion of the local economy is tied to tourism and dominated by major chains and franchises. Visitation levels continue to increase, but at declining rates."

Marketing and advertising efforts are further widened to extend the tourism season and attract more distant visitors. Older facilities are now second-rate and mostly undesirable.”

5. *Stagnation* - “Capacity levels for many relevant factors are reached or exceeded, resulting in economic, social and/or environmental problems. A peak number of possible visitations is achieved, forcing facility managers to rely on repeat visitations and conventions for business. Artificial attractions supersede the natural or cultural ones and the destination is no longer considered fashionable. Surplus capacity exists.”
6. *Decline* - “Tourists are drawn away by newer destinations; those remaining are mostly weekend or day visitors. Tourism facilities become replaced by non-tourism establishments as the area disengages from the industry. This results in even less attraction for visitors and the remaining facilities become less viable. Local involvement probably increases again as the price of facilities drops along with the market decline. The destination either becomes a tourism slum or finds itself devoid of tourism activity altogether.”

During an early review of the model, two other models served as a foundation for TALC, the Product Life cycle and models of wildlife populations (Butler, 2006). Since its creation, TALC has been proven to be a disputed method for constructing the evolution of a tourist destination and predicting the pattern of its life cycle stages (di Benedetto and Bojanic, 1993). Some of the more popular applications of the model were towards mature destinations and those in the stagnation stage of their life cycle (Lundtorp & Wanhill, 2001). The earliest application of the model towards a case study was done by Hovinen (1981) where he used Lancaster County as a test case. The findings of that study concluded that Lancaster County pulled away from the TALC in the later stages of the life cycle, however, the model was still believed to be useful. A study by Lundtorp and Wanhill (2001) presented a mathematical process and formula to calculate the ideal tourist volume across each stage of the TALC model. The formula was tested on a data series for the Isle of Man in the United Kingdom, as well as for Bornholm Island in Denmark. The results of this study showed that the model performs relatively well during periods when domestic tourists dominate the market and return year after year. The theoretical foundations of the model were more thoroughly considered by Johnston (2001), who focused on the ontological and epistemological aspects of the model. He argued that the model is based on a simple geographic process.

Some researchers opted for making alterations or different variations of the TALC model. In the study by Toh, Khan and Koh (2001), the authors created an alternative to TALC which they called the travel balance approach (TBA). They argued that although both models could equally identify that the case test destination Singapore was entering the decline stage, only the TBA could show the potential consequences as the TBA model is asserted in theory rather than parallel empirical observations.

Relevant to this study in particular, the study by Almeida and Correia (2010) analyzed the attractiveness and competitiveness of Madeira Island from the perspective of the TALC model. The study simultaneously demonstrated the validity and contradiction of the model. The main conclusion of this study proved that the TALC model fits with the history of Madeira’s tourism and that Madeira Island has progressed according to the life cycle stage. Nevertheless, another conclusion of this study that was initially confirmed by Tooman (1997), stated that the decline stage can be avoided and the life cycle stages are not bound to be followed in that exact order.

Furthermore, the study emphasized the fact that Madeira Island managed to retain a positive destination image throughout its life cycle as a tourist destination without the guidance of research to aid with improvements.

A more recent study by Kurczek et al. (2018) analyzed Antarctica as a tourist destination by taking into account the environmental conditions of Antarctica that decide its allure for tourists and its political and legal status. This study used the TALC model as a way to measure the tourism development of Antarctica and confirmed the applicability of the model in this particular case study.

It is important to acknowledge that the TALC has been subject to criticism from the early stage of its creation. The article ‘Can the Tourist-Area Life Cycle be made operational?’ by Haywood (1986) is often cited as the most impactful critical review of the TALC model. The article raised the following six issues that should be addressed in the model: unit of analysis; relevant market; pattern and stages of the TALC; identification of the area’s shape in the life cycle; determination of the unit of measurement and determination of the relevant time unit.

Agarwal (1994) expressed that the model's biggest issue is that it considered a destination as a single factor, rather than a collection of different components (i.e. attractions, hotels etc.). Closely related to the aforementioned issue, the study by Hovinen (2002) indicated that contrary to the model, different tourism components can be at different stages of their life cycle at the same time. A study by Douglas (1997) raised further concerns over the fact that the TALC model is allegedly universal, yet it does not take into consideration the difference in resources (social, geographical, political and economic) that are available to different destinations.

Some researchers used the TALC model as a stepping stone to their own proposed work. For instance, Weaver (2000) proposed a framework that considered the TALC model as one of the possible outcomes in his framework. To demonstrate the continued relevance of the TALC model, Butler (2000) revisited his theory. He argued that the reason for the overlooked validity of the model is that most studies focused on too much detail. Butler presented the following eight elements that lay the foundation for the model (p. 54, Rodríguez, Parra-López & Yanes-Estévez, 2008):

1. *Dynamism*: “one of the most characteristic features of tourism activity.”
2. *Process*: “the change in tourism areas is a process of development that could be modeled.”
3. *Capacity or limits to growth*: “the model is based on the idea that if visitors exceed the capacity of the destination, the quality of visitor experience would decline. The difficulty in measuring the capacity has attracted many criticisms (Weaver, 2000).”
4. *Triggers*: “factors which cause a change in the destination such as innovations.”
5. *Management*: “emphasized in terms of its importance for the destination as a whole because many destinations are not managed although individual resources and facilities often are.”
6. *Long term viewpoint*: “it is crucial to avoid decline by looking forward from the beginning.”
7. *Spatial components*: “the proposition was that as development at a specific destination stagnated, there would be a spatial shift of development to a new nearby location and a new destination began.”

8. *Universal applicability*: “the model was designed to be applicable to all tourist destinations.”

In summary, the TALC has been proven to be an efficient industry paradigm. However, it has been noted that although studies of life cycles continue to deliver valuable historical representations of cyclic activity, more analysis needs to focus towards the factors that cause a change in cyclic activity.

## 2.2. Destination Rejuvenation

Managing a successful destination is a process that not only requires maintaining the present but keeping an outlook for the future to avoid active decline.

Previous literature defines destination rejuvenation as a step in Butler’s tourism life cycle where tourism practitioners make the pivotal decision to plan strategies that will help to regain the attractiveness of a destination (Bujosa, Riera & Pons, 2015; Chapman & Speake, 2011; Rebollo & Castiñeira, 2010; Xu, Yu & Zhou, 2022).

When analyzing the previous literature behind the TALC, it was concluded that each stage of the tourism area life cycle does not have to come in consecutive order. In fact, according to Xu, Yu & Zhou (2022), destinations that have already entered the stagnation or decline stages are more difficult to renew. Therefore, it can be highly beneficial for tourism practitioners to commence the process of destination rejuvenation regardless of whether stagnation has occurred. Especially since each destination creates its own rejuvenation strategy depending on its environment and the resources that are available to them (Müller, 2010). For instance, city tourism destinations concentrate their marketing efforts through various digital forms such as social media marketing and generally with the help of the Internet (Boivin & Tanguay, 2019).

Past studies came to the consensus that rejuvenation can only be successful if the destinations are fully changed and reimagined (Cooper, 1992). Faulkner (2002) stressed that stagnation can be avoided if tourism practitioners recognize that the approaches in the past will not work in the future. However, this statement is somewhat of a contradiction compared to the study by Xu, Yu & Zhou (2022) p. 3, where the authors affirmed that “rejuvenation strategies need to take complete account of the needs and preferences of the dominant market”. Consequently, it is impossible to completely reinvent the destination and retain the old dominant market simultaneously.

The study by Agarwal (2002) which studied the decline of resorts argued that decline cannot always be associated with being the next stage of the life cycle process, but instead, the cause of external and internal factors. Rejuvenation is a complex process that is deeply dependent on the decisions of tourism management. A barrier that was identified by Faulkner (2002) states that the deep-rooted long-standing management practices that date their origins to past success, yet have no ability to adapt to the ever-changing environment. Everything from the comfort zone, egos and skills of the key decisions maker at a tourist destination can influence the outcome of a rejuvenation strategy.

Destinations are frequently seen as brands, therefore brand rejuvenation strategies and numerous product management strategies can be implemented when rejuvenating a destination (Kotler,



1991). Brand revitalization or rejuvenation theory is highly relevant in destination marketing brands. Rejuvenation strategies of organizations can be transferred to tourism destinations as they are built on the same foundations, including segments, consumer value and external environmental factors (Lee et al. 2021; Xu, Yu & Zhou, 2022). When discussing revitalization, Kapferer (2012) emphasizes that this process is based on reviving and updating an overall offer of the brand whilst holding true to the brand identity. In his book, Kapferer uses the term 'revival' and defines it as a means to attract a new market. The brand (destination) must be able to find a new way to differentiate itself amongst a new segment of the market, through new distribution means and maybe even for different applications. Kapferer (2012) p. 397-399 mentions five different means through which a brand can rejuvenate: new segmentation, innovations, contact with new opinion leaders, distribution change, and new uses.

Various case studies have been aimed at the rejuvenation of tourist destinations worldwide (Hall, 2003; Müller, 2010; Rahman, Halim & Zakariya, 2018; Xu, Yu & Zhou, 2022). Rejuvenation strategies through urban placemaking in Johor Bahru, Malaysia were discussed in the study conducted by Rahman, Halim and Zakariya (2018). The paper by Hall (2009) studied the rejuvenation of the destination image of South-eastern Europe. Amongst a few topics, this study emphasised the diversification of coastal destinations and the role of tourism in times of conflict and newly independent states.

The study by Xu, Yu & Zhou (2022) explored whether mass tourism destinations in China are in their decline or rejuvenation stage. This study attempted to extend the TALC model by depicting it by efficiency and by adding to the post-stagnation phase three other stages: fluctuating decline, fluctuating rise and persistent decline. The results of this study showed that all destinations show clear signs of decline and rejuvenation, nonetheless, each destination differed in efficiency levels and change trends. The results from the study by Müller (2010) contributed towards the understanding of rejuvenation strategies in mature Alpine destinations. The author draws upon the theory that views destinations as brands and suggests practical examples relevant to the Alpine region where rejuvenation can occur by adding new implementations without the loss of the original brand offer. The results that are relevant to the rejuvenation theory concluded that the approach towards rejuvenation in the case study region was reactive and lacked overall strategic planning and innovation to tackle early challenges. In total contrast to Madeira Island where the initiative to rejuvenate commenced before the obviously visible decline could start.

Naturally, some destinations do not have the capacity nor the financial resources to attract mass tourism (Claver-Cortés et al. 2007). Furthermore, innovative technologies might be irrelevant to the destination image. Therefore, it is vital for tourism practitioners to determine the capacity of the destination for development and the consequences that may arise when attempting to rejuvenate the destination (Haywood, 1986).

### 2.3. Destination Transformation Strategies

Müller, Peters and Blanco (2010) propose that in order to sustain the competitiveness of a destination, it is necessary to implement new strategies and processes aimed at ensuring the provision of quality services. Faulkner (2002), on the other hand, recognizes the importance of competitiveness as the foundation of developing strategies for both individual local organizations and a destination. Porter (1990) expresses the view that establishing and maintaining competitive

advantage occurs through a process that is highly localized. This process is valid not only for nations but also for tourist destinations. Findings by Müller, Peters and Blanco (2010) further indicate that analyzing the competitive environment is a crucial activity aimed at prolonging the life cycle of the destination.

Especially in the service industries such as tourism, transformation is a common practice that focuses on modifying the product rather than altering its production process in order to create a competitive advantage (Agarwal, 2002). For instance, core products are identified and sustained while new developments are considered and implemented. Within tourism, academic literature identifies several transformation strategies such as, amongst others, repositioning (Agarwal, 2002; Curtis, 1997) and diversification (Agarwal, 2002; Morgan, 1991).

For example, Curtis (1997) conducted a study on destination repositioning, which examined the process of realigning and enhancing the image of Mediterranean resorts like Benidorm, Magaluf, and Palma Nova. The aim was to shift the focus away from mass market low-spending tourists and towards attracting high-spending special interest visitors. Similarly, Agarwal's study (1997) explored destination diversification in the context of Torbay. The research investigated the strategies implemented by Torbay to attract new markets, including business and conference tourism, as well as domestic short breaks. The study aimed to understand how diversifying the destination's offerings helped in expanding its visitor base and increasing tourism revenue.

In relation to increasing the destination demand through rejuvenation, Solomon (2015) also puts emphasis on repositioning and diversification. In the following sub-sections, the two destination transformation strategies are considered - repositioning and diversification.

### 2.3.1. Destination Repositioning

Market positioning is a marketing strategy that involves defining how a product or brand is perceived by consumers in relation to its competitors (Chacko & Marcell, 2008; Kotler, Bowen, & Makens, 2005). In academic literature, the term positioning is often explained as the process of creating specific images about the brand or product that are stored in the minds of the consumers (Pike & Ryan, 2004). Fill (1999) propounds that a customer-centric perspective is critical for successful positioning.

Accordingly, in the context of tourism and destination marketing, destination positioning entails developing a unique and compelling image of a destination in the minds of potential visitors. The term "destination position" was first introduced by Both, Crompton and Kim (1999), who suggested that destination managers should focus on recognizing the important attributes that visitors have in mind in regard to the destination and strengthening them. According to Pike and Ryan (2004), the aim is to strengthen favorable images that the target audience already has, rectify unfavorable ones, or establish an entirely new image. The theoretical concept of 'destination' image is further explained in the next section of the chapter.

There is no debate among researchers that a successful positioning strategy can provide an organization with a competitive edge (Hooley et al. 2001; Porter, 1980). As many destinations share similar characteristics, the danger of them becoming interchangeable commodities is substantial. In this sense, Gilbert (1990) argues that in order for destinations to stay competitive, they must develop effective positioning strategies. According to Crompton, Fakeye and Lue

(1992), the essential aspect of effective positioning is to align the benefits provided by a destination with the requirements of the target market. Chacko (2008) distinguishes between six positioning strategies - positioning by product attributes, price, competition, product class, application or target audience.

When the decline of a destination occurs, it is important to implement countermeasures for mitigating the negative effects, one of them being the repositioning of the destination within the broader market (Agarwal, 2002). Repositioning accounts for rethinking and re-aligning the destination image (Agarwal, 1999) as well as strengthening its position in the market (Claver-Cortés et al. 2007). A study by Agarwal (2002), exemplifies such strategies, for example, by broadening the scope of existing marketing activities and targeting new, more niche and specific target groups and redirecting the destination image accordingly.

### 2.3.2. Destination Diversification

Diversification involves the expansion of a destination's range of products (Agarwal, 2002; Müller, Peters & Blanco, 2010). The process of diversification entails the exploration and development of natural, cultural, and built resources that have not been previously exploited, in order to attract new target audiences (Agarwal, 2002; Claver-Cortés et al. 2007).

Diversification can take many forms, such as capturing niche markets like walking, cycling, golfing, and yachting as illustrated in the research conducted by Curtis (1997), or attracting new markets such as business and conference tourism or domestic short breaks (Knowles & Curtis, 1999). Pechlaner (1999), on the other hand, differentiates between four product diversification strategies tourist destinations pursue: 1) market penetration with existing products or modifications of the existing products; 2) market expansion with existing products; 3) market penetration with new products; 4) market diversification with new products into extended markets.

Consequently, destinations continuously enhance their existing products to adjust to changes in demand. Even though diversification is deemed to be an effective product transformation approach, implementing it in tourist destinations that lack the qualities to attract mass tourism can pose a challenge. One pitfall that needs to be considered is the substantial costs involved in this process (Wilkinson, 1987). Additionally, according to Carson (2014), investing heavily is not always a feasible solution for smaller and remote locations.

## 2.4. Destination Image

The tourism industry has seen unprecedented growth and change in the last 30 years. Modern tourists are presented with more choices than ever, as the result of the invention of technological advances that have completely reinvented the way in which people view tourist destinations (Kislali, Kavartzis & Saren, 2015). This phenomenon presents a challenge for destination marketing organizations to not only successfully differentiate a destination, but to do so in a manner that will create favourable associations in the minds of consumers (Echtner & Ritchie, 1993). The concept of the destination image dates back to 1975 when John D. Hunt published the influential article "Image as a factor in tourism development". Over the years, this article

inspired numerous studies surrounding destination image (Echtner & Ritchie, 1993; Hosany, Ekinci & Uysal, 2007; Kim and Chen, 2015; Pike, 2002).

The definition of the destination image concept has been surrounded by uncertainty in previous literature with no agreed-upon clear-cut formulation. Authors seem to refer to each other's definitions or sometimes leave the definition out of the paper altogether (Kislali, Kavartzis and Saren, 2016). Nevertheless, in this particular study, the authors refer to the concept of destination image as the overall perception or mental picture that people have of a particular destination or place (Pearce, 1982).

In more detail, a destination image is the sum of beliefs, ideas, and impressions that individuals hold about a specific location, such as a city, country, or tourist attraction (Baloglu & McCleary, 1999). This image can be shaped by various tangible and intangible characteristics, both personal (social and psychological) and stimulus (media coverage, word-of-mouth recommendations, and promotional materials) (Baloglu & McCleary, 1999).

Both academic scholars and tourism practitioners frequently measure destination image in empirical studies as destination image has been proven to play a crucial role in shaping travelers' decisions and behavior, influencing their motivations to visit a place, their expectations, and the type of activities they engage in during their trip (Dolnicar & Grün, 2012). A positive destination image has been proven to attract more visitors and boost the local economy, while a negative image can deter potential travellers and harm the tourism industry. Therefore, destination marketing organizations and tourism stakeholders often focus on managing and enhancing the destination image through strategic branding, communication, and product development (Souiden, Ladhari & Chiadmi, 2017). The aforementioned statement was illustrated by a study by Clark (2006) that showcased how 4 million dollars were invested to rebrand the Canadian city of Toronto.

Over the course of 48 years, dozens of studies have been conducted on the subject of the destination image. According to Souiden et al. (2017), most studies focus on functional and psychological determinants of the destination image. Whilst most authors conduct empirical studies on the attributes behind destination image formation, some opted to conduct intricate literature reviews. For instance, Pike (2002) conducted a review of 142 papers about the destination image literature that was published between 1973-2000. Although there have been numerous studies of destination images, some subtopics still have yet to be explored. Despite the recent, yet rapid technological advancements, not many papers have delved into how technology affects destination image and destination image formation (Kislali, Kavartzis & Saren, 2016). The study by Kislali et al. 2016 illustrates that it is critical to investigate the perceived credibility of information that is received through the internet and the role of social media on destination image.

#### 2.4.1. Destination Image Formation

The formation of an image was defined by Reynolds (1965) “as the development of a mental construct based upon a few impressions chosen from a flood of information” (p. 38, Echtner & Ritchie, 1993). The destination image is formed through various sources such as word of mouth, public media and promotional literature. It has been suggested that a destination image can form

before a tourist actually visits a destination or has been exposed to any commercial forms of information (Kim & Chen, 2016). Various studies have examined the process of destination image formation and the key attributes that affect that process (Echter & Ritchie, 1991; Kim & Chen 2016; Macionis, 2004).

A study by Gunn (1988) proposed a model of the seven phases of the travel experience, the model encompasses the process by starting from accumulating the mental images before the trip to modifying the images after the vacation based on the experiences. Gunn goes on to further explain that destination image is further divided into an organic image which is formed from sources such as general media, education and word of mouth, and an induced image which is formed after the use of commercial sources (e.g. travel guides).

According to a destination image formation theory established by Baloglu and McCleary (1999), a destination image is formed through a complex process that involves both cognitive and affective evaluations of the destination. Tourists use cognitive maps to store and organize information about the destination, and their perceptions of the destination are influenced by the information that they receive. This cognitive map is made up of both factual and subjective information, including attributes such as climate, scenery, culture, and safety. Tourists also use cognitive evaluations to judge the destination, including factors such as overall appeal, uniqueness, and satisfaction. This theory suggests that destination marketers can influence the image of the destination by strategically managing the information that tourists receive. This includes shaping the destination's identity and messaging and creating positive associations with the destination through advertising, social media, and other forms of promotion.

The study by Reilly (1990) demonstrated a very simplistic method of forming a destination image of Montana in the USA by simply asking respondents to describe the destination in their own words. After seeking the most common descriptions he drew a holistic, albeit stereotypical image of Montana. Gartner (1994) investigated destination image formation and came to the conclusion that it embodies three components: cognitive (knowledge and beliefs), affective (emotions, feelings and attachments) and conative (behavioural intentions of tourists). Another study, by Kim and Chen (2016) proposed five Prime Tourist Destination Schemas. These schemas are expected to be altered after visiting the destination, leading to three types of conditions: congruity, moderate incongruity, and extreme incongruity. Consequently, the destination image post visitation is then changed to either an identical image, a moderately transformed image, or a largely transformed image.

## 2.5. Dynamic Capabilities

### 2.5.1. Resource-based View

Over the past several centuries, the rise of global markets, technological advancements and heightened competition across industries has intensified the need for an established wider framework necessary to comprehend the means of accomplishing a competitive advantage. The resource-based view was disseminated by Barney (1991) and considers capabilities and resources as the root of the competitive advantage of an organization (Wang & Ahmed, 2007). Four criteria the resources should exhibit were determined in the resource-based view – valuable, rare, imperfectly imitable, and non-substitutable (VRIN) (Barney, 1991). These resources, in

turn, would enable or inhibit the potential profitability or the selection of markets to penetrate (Wernerfelt, 1989). This view, though widely investigated and popularized, proved to be insufficient as it was too static and it overlooked the market dynamism (Kostopoulos, Spanos & Prastacos, 2002; Priem & Butler, 2001; Wang & Ahmed, 2007). It also fails to clarify the specific mechanisms that facilitate sustainable advantages over time (Teece, Pisano & Shuen, 1997).

### 2.5.2. Dynamic Capability View

Consequently, the resource-based view was reinforced by the dynamic capabilities view. The dynamic capabilities view was first introduced in 1997 by Teece and Pisano (1994). They claimed that in a constantly changing business landscape, maintaining a competitive advantage depends on the internal processes and routines that allow for the revitalization of a company's capabilities. This, in turn, enables the consistent delivery of new and innovative products and services to customers. The definition proposed by Zollo and Winter (1999) posits that a dynamic capability is a “learned pattern of collective activity through which the organization systematically generates and modifies its operational routines in pursuit of improved effectiveness”. This definition emphasizes the persistence and structure of these activities in response to a series of crises. A step further was taken by Wang and Ahmed (2007), who reckons that capabilities are described by an organization's ability to effectively use its resources, often in a synergistic manner, and encompass both specific and implicit factors such as expertise and management skills that are integrated within those procedures. Accordingly, capabilities are considered to be unique to each firm and are cultivated gradually through a complex interplay between the resources.

Effectively, the notion of dynamic capabilities was created with the intention of aiding researchers and practitioners gain an understanding of how to establish and maintain a competitive advantage at a company level, and how this can contribute to creating and preserving the value of the organization (Teece, 2014). It has been argued that the combination of a strong set of dynamic capabilities and a distinctive set of difficult-to-imitate resources serve as a solid foundation for continuous competitive advantage.

Numerous academics (Schilke and Goerzen, 2010; Teece, Pisano & Shuen, 1997) have attempted to identify and categorize different forms of dynamic capabilities. The research by Wang and Ahmed (2007), has identified three shared components reflective of the dynamic capabilities across firms that can be adopted in future research. These include adaptive, absorptive and innovative capabilities.

Adaptive capabilities are defined as higher-level activities that represent the ability of a firm to recognize and take advantage of emerging market opportunities. According to Birkinshaw and Gibson (2004), adaptive capability pertains to an organization's ability to quickly and effectively reorganize and coordinate its resources in response to rapid changes in its environment.

Absorptive capabilities, on the other hand, pertain to the firm's ability to recognize, integrate and implement valuable external information and knowledge for commercial purposes (Cohen & Levinthal, 1990). Companies with higher absorptive capability exhibit a greater capacity to assimilate knowledge from external sources, such as partners, and translate it into knowledge that is deeply ingrained within the organization (Wang & Ahmed, 2007). The absorptive

capability is said to be grounded on four fundamental pillars, namely, knowledge acquisition, transformation, assimilation, and exploitation (Mirkovski et al. 2015). It also encompasses the ability to effectively incorporate new knowledge into practical applications through various organizational processes (Cadiz, Sawyer & Griffith, 2009).

Innovative capabilities refer to a company's capacity to develop new products or explore new markets by aligning its strategic direction with operational processes in innovative ways (Wang & Ahmed, 2004). Innovative capabilities are considered a multidimensional concept, including aspects such as developing new products or services, innovative means of production, discovering new markets or establishing new organizational structures (Wang & Ahmed, 2007). A study on dynamic capabilities by Danneels (2002) outlines the focus on developing new products as means for organizational renewal. Studies reveal that in various industries, in the light of external change and crisis, innovative capabilities are a paramount component for adapting and surviving among competitors (Wang & Ahmed, 2007).

Even though the concept of dynamic capabilities has been discussed in strategic management and business literature for over two centuries, it has only recently been brought to the attention of destination marketing and tourism research, with the emphasis being put mostly on innovation in relation to information technology and digitalisation (Deeds, Decarolis & Coombs, 2000; Jiang & McCabe, 2021). Especially in light of COVID-19, several empirical studies investigated organizational resilience and crisis management (Jiang, Ritchie & Vereyenne, 2019; Jiang, Ritchie & Vereyenne, 2021a; Shrestha & Decosta, 2021). For instance, a study from Jiang, Ritche and Vereyenne (2021a), examines the factors that facilitate the development of dynamic capabilities in tourism organizations in crisis. Another even more recent research conducted by Bhaskara et al. (2023) investigates the innovation of a destination in times of crisis in destinations that are remote and lacking resources using Lombok, Indonesia as a case.

There is an existing link in theory between the concepts of dynamic capabilities and rejuvenation. Zhang (2014) reckons that organizational rejuvenation and strategic renewal are two outcomes that firms can accomplish by employing dynamic capabilities. Moreover, it is argued that companies possessing dynamic capabilities efficiently carry out the transformation of products, assets and resources. Accordingly, the introduction of new products and services, or entry to new markets can create entrepreneurial opportunities for sustained rejuvenation and transformation. However, the study by Zhang (2014) focuses on the context of strategic entrepreneurship in industrial environments, which creates both an opportunity and a gap to explore how these two concepts are connected in a destination marketing context.

Another contemporary study from Jiang, Ritchie and Vereyenne (2021b) demonstrates the link between organizational renewal, or organizational transformation and dynamic capabilities in a tourism context. The research establishes a typology of dynamic capabilities to serve tourism organizations in times of turbulent change and crisis. The authors argue that in the long term, firms need to develop adaptive and innovative dynamic capabilities to seek out new opportunities, renew and achieve transformation. They connect innovative dynamic capabilities with the process of transformation – a new way of deployment of internal and external resources to create a competitive advantage. They also propose employing renewing dynamic capabilities by engaging in internal exploration in response to the changing environment. In the context of tourism, this means continuously reinventing themselves to maintain a competitive edge over time. In the context of brands, on the other hand, Kapferer (2012) distinguishes innovation as one

of the ways in which a brand can achieve rejuvenation. As destinations are often recognized as brands (Kotler, 1991), and organizational innovation has been argued to be accomplished by cultivating dynamic capabilities (Bhaskara et al. 2023; Jiang, Ritchie & Vereyenne, 2021b; Wang & Ahmed, 2007) (and more specifically, innovative dynamic capabilities), we can identify an overlap between these concepts in a tourism context.



## 3. Theoretical Framework

*This chapter presents a theoretical framework that integrates the concepts of destination rejuvenation, repositioning and diversification, and dynamic capabilities to address the research question: “What are the dynamic capabilities that enable destination repositioning and diversification and how do they rejuvenate Madeira Island as a tourist destination?”. The theoretical framework establishes a foundation for understanding the key components and their interconnections, providing a conceptual lens through which the research objectives can be examined.*

The previous chapter consisted of an extensive literature review which gave an insight into the theoretical concepts that this study is built upon. The multifaceted scope of the theories laid the foundation for the theoretical framework as seen in Figure 1. The framework consists of three main research areas: destination rejuvenation, transformation strategies (repositioning and diversification), and dynamic capabilities. Additionally, these areas consist of the relevant sub-topics that the authors of this study have chosen for further investigation and that will be taken into account during the data collection and analysis processes.

### 3.1. Destination Rejuvenation

Destination rejuvenation refers to a stage in the tourism area life cycle (TALC) model, that signifies a proactive process of revitalizing a tourism destination to counter stagnation or decline. It involves comprehensive changes and strategic interventions to enhance the attractiveness and competitiveness of the destination (Agarwal, 2002; Butler, 1980; Faulkner, 2002). In the context of Madeira Island, destination rejuvenation becomes essential to adapt to changing market demands, overcome challenges, and seize new opportunities. This framework focuses solely on the rejuvenation stage of the TALC model proposed by Butler (1980). Although it does not take in mind the other stages of the tourism life cycle, most importantly the proposed framework is in line with the criticism of the TALC model that argues that a destination can not be considered as one single entity, but rather a combination of different factors (Agarwal, 1994).

### 3.2. Repositioning and Diversification

Repositioning and diversification are transformation strategic approaches employed in destination rejuvenation (Agarwal, 2002; Curtis, 1997; Morgan, 1991; Solomon, 2015). Repositioning involves rethinking and realigning the destination's image, targeting specific market segments, and creating a differentiated positioning in the minds of potential tourists (Agarwal, 1999; Agarwal, 2002; Claver-Cortés et al. 2007). It requires a thorough analysis of the destination's unique attributes, competitive advantages, and market trends to identify new positioning opportunities (Botha et al. 1999; Crompton et al. 1992). Diversification, on the other hand, entails expanding the range of products and experiences offered by the destination (Agarwal, 2002; Müller, Peters & Blanco, 2010). It involves the development of new attractions, services, and activities that cater to the evolving preferences and needs of tourists. Diversification aims to attract new target audiences, or niche markets, or increase visitor expenditure (Curtis, 1997; Knowles & Curtis, 1999).

### 3.3. Dynamic Capabilities

Dynamic capabilities refer to an organization's ability to effectively and proactively adapt, integrate, and reconfigure its resources, knowledge, and activities in response to changing market conditions and opportunities (Wang & Ahmed, 2007). Previous literature on dynamic capabilities classifies them into three categories – innovative, adaptive and absorptive (Wang & Ahmed, 2007). Even though the development of dynamic capabilities in times of crisis has been recently brought to the attention of tourism academic literature (Meñaca-Guerrero et al. 2021; Vereyenne, 2021), it has been mostly limited to the context of tourism organisations, and it doesn't take into account the other stakeholders and the destination as a whole. Moreover, there is an existing link between the concepts of rejuvenation and dynamic capabilities (Jiang, Ritchie and Vereyenne, 2021). Yet, the connection has been made on a company level again, and the link is still to be investigated in relation to a tourist destination and the rest of its constituent parts.

### 3.5. The Interplay of Dynamic Capabilities, Repositioning, and Diversification in Rejuvenating Madeira Island

The proposed theoretical framework emphasizes the interconnectedness of dynamic capabilities, repositioning, and diversification in rejuvenating Madeira Island as a tourist destination. The theory to be tested is how dynamic capabilities can enable the identification of repositioning opportunities, the integration of new knowledge and practices, and the development of innovative products and experiences. Repositioning strategies help shape the destination's image, differentiate it from competitors, and target specific market segments. Diversification expands the destination's offerings, attracting new visitors and prolonging their stay. The framework attempts to paint a holistic picture of the rejuvenation process in Madeira's destination system, considering the different parts creating this change in the system as a whole. In order to identify the dynamic capabilities and consider how they enable rejuvenation, the authors need to investigate the different parts of this model. This, in turn, relates to the aforementioned criticism of the TALC model, which served as a starting point for this research.

In conclusion, the framework proposes the hypothesis that by understanding and leveraging dynamic capabilities, Madeira Island and all its constituent parts can effectively execute repositioning and diversification strategies, rejuvenating the destination and enhancing its competitiveness in the tourism market. The proposed framework is a stepping stone of the components that induce the change of the various factors (e.g. destination image) that promote destination rejuvenation.

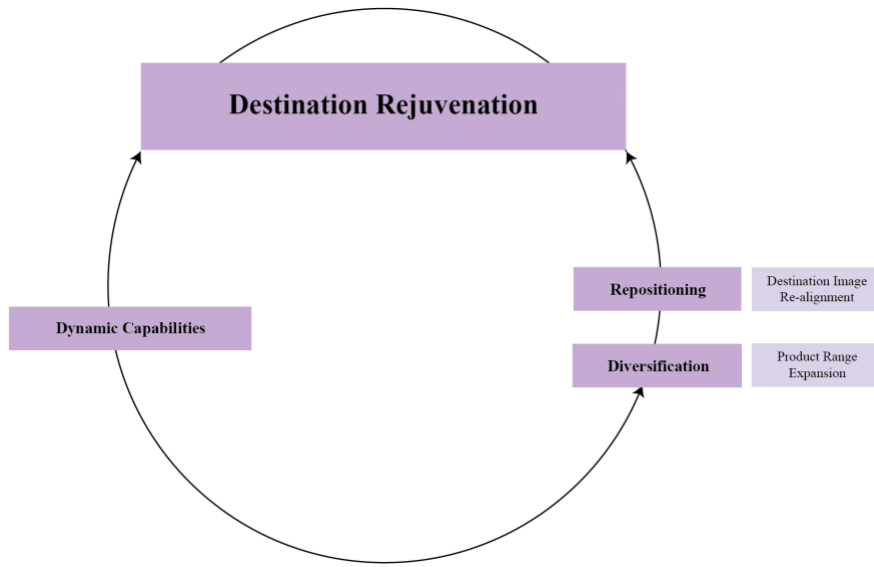


Figure 1. The Theoretical framework of components facilitating destination rejuvenation.

## 4. Methodology

*This chapter will provide an overview of the research design and methods chosen for this study. It will argue for the case study research approach and the case selection of Madeira Island. Moreover, the researchers will discuss the choices behind ontology and epistemology, the data collection methods with sampling choices and interview process outline, and the data analysis method. Furthermore, this chapter will evaluate the research quality and provide some ethical considerations.*

### 4.1. Research Design

As previously stated, the aim of this thesis is to explore the dynamic capabilities that enable destination repositioning and diversification and investigate how they rejuvenate Madeira Island as a tourist destination.

Consequently, the research question guiding our research is outlined as follows:

*What are the dynamic capabilities that enable destination repositioning and diversification and how do they rejuvenate Madeira Island as a tourist destination?*

To answer the research question, a qualitative research design is chosen for the purpose of this project. The choice is made on account of the explorative nature of the researched subject as the aim is to gain a better understanding of a contemporary social phenomenon, namely, destination repositioning and diversification in the rejuvenation process (Rennstam & Wästerfors, 2018) and the role of dynamic capabilities in this process. Although some previous research surrounding rejuvenation has been of a quantitative nature (Xu, Yu & Zhou, 2022), a qualitative research design is chosen as it gives the researchers the opportunity to investigate the capabilities in more detail, allowing for more improvisation in the data collection process.

Regarding the research philosophy of this study, the authors both agree that the ontology, which lays the foundation for this thesis, is somewhat leaning towards the critical realist position, while the epistemology is interpretivism. Critical realism in the context of ontology recognizes the existence of both objective and subjective realities. It acknowledges that social phenomena are complex and multi-layered, comprising both observable structures and underlying causal mechanisms that are not directly observable (Sayer, 2000).

In the context of this study, critical realism allows for identifying the broader structures that influence destination repositioning and diversification. Moreover, it enables the researchers to analyze the causal mechanisms and processes involved in rejuvenating a tourist destination like Madeira Island. Interpretivism, on the other hand, emphasizes the importance of understanding the subjective meanings and interpretations of individuals within social contexts. It also encompasses an interest in unravelling the mechanisms and motives - the hows behind social actions, as well as the processes through which events unfold (Bell, Bryman and Harley, 2019). Within the context of this research, interpretivism allows the researchers to explore how dynamic capabilities are perceived by various stakeholders in relation to the repositioning and diversification of Madeira Island. It enables an in-depth understanding of the social dynamics that drive and shape these capabilities in order to rejuvenate the destination.

By combining critical realism and interpretivism, a multi-dimensional approach to qualitative research is adopted. In this way, both objective structures are identified in the repositioning and diversification process while recognising and capturing the subjective experiences, perceptions, and interactions of individuals involved in this process. This, in turn, provides a comprehensive understanding of the dynamic capabilities at play and how they contribute to the destination rejuvenation. This choice of research philosophy also helps the authors go beyond surface-level observations and delve into the underlying causal relationships and social dynamics, providing a deeper insight into the complexities of the research topic.

Following the research philosophy choice, an intensive research design is deemed appropriate for this study. Intensive research design signifies a comprehensive and in-depth approach that aims to deeply explore and interpret phenomena under investigation and the causes behind it (Sayer, 1992). It involves collecting rich and detailed data through various qualitative methods. As an intensive research design is suitable for answering “how” and “what” research questions in a particular case, and for investigating the connections and causal relationships between social phenomena (Sayer, 1992), it is considered especially relevant for this study.

#### 4.1.1. Case Study

The chosen research approach for this study is case study research. Case study research involves analyzing a single or a small group of organizations, events, or individuals, typically over an extended period, in order to gain a comprehensive understanding of a phenomenon within its actual context (Easterby-Smith et al. 2021). This method is considered a valuable research approach for generating new insights and, according to Eisenhardt (2021), is similar to an experiment and offers a deeper comprehension of the topic at hand while minimizing subjectivity. Specifically, a single case method was chosen, aligning with the intensive research design, with the aim of providing a detailed account of life and behavior within a specific context (Easterby-Smith et al. 2021). Additionally, the case study approach enables the researchers to examine the meaning of this phenomenon in a new context that has not been researched before (Rennstam & Wästerfors, 2018). Acknowledging the case-study classification suggested by Stake (1995), this study can be categorized as intrinsic, the main purpose of which is to obtain a deeper understanding of the specific details and characteristics of a particular situation, rather than using it to gain insights into other cases or to generalize issues.

Choosing the appropriate research approach has been proven to be a crucial step that not only enables the researcher to make informed decisions about the study’s research design but also makes the authors consider potential limitations and adapt the research design accordingly (Easterby-Smith, 2021). An abductive approach is the most suitable choice for this study as it enables the researchers to move back and forth between the theory and data (Saunders, Lewis & Thornhill, 2012). The abductive approach is especially appropriate because one goal of this study is to construct an analytical framework that will attempt to demonstrate the process of rejuvenation of Madeira.

#### 4.1.2. Case Selection

Madeira Island was chosen as a case for this research for a number of reasons that validate this selection. One of the most important criteria for the researchers was to find a case test destination

where the process of rejuvenation is already taking place and has been actively observed by credible sources. First, after an extensive investigation of secondary data that consisted of various online sources such as news articles, Madeira Island has been subject to an explicit rejuvenation process. It would seem that the start of the rejuvenation process of Madeira Island was marked by the contact of an opinion leader when the regional government hired the businessman (now regional secretary of tourism and culture) Eduardo Jesus to help attract a new segment of tourists (Mullen, 2021). Moreover, in 2021, a governmental organization called Startup Madeira initiated, with the help of both public and private partners, the program “Digital Nomads Madeira”, with the ambition to reposition the Island on the map of digital nomads, taking advantage of the growing global trend of remote working (Franco, 2021).

Madeira has been an attractive and established tourist destination for many years (Oliveira & Pereira, 2008). The literature that mentions the rejuvenation of Madeira, gives the impression that the regional government is attempting to avoid what is also referred to as ‘decline’ in the TALC model. This makes Madeira Island a picture-perfect case test for further exploring the process of destination rejuvenation.

Finally, the recent developments in the tourism industry and the rapid increase in tourist numbers, including the opportunities of the post-pandemic recovery period (Butler, 2022) and the fact that Madeira is actively taking measures to reinvent itself for a younger tourist segment (Mullen, 2021), has facilitated a window of opportunity to further explore this region from an academic perspective.

## 4.2. Data Collection Method

This section will outline the plan for the data collection methods. The methods for primary data collection involves semi-structured interviews. According to Bell, Bryman and Harley (2019), interviews are a common method in single-case research as they allow for an intensive and detailed investigation of the case. Semi-structured interviews are chosen for this study because this method allows for flexibility during the interview process and the possibility to customize the conversation with each interviewee. This is especially relevant since the researchers of the study are hoping to conduct interviews with local entrepreneurs from the tourism industry and local tourism authorities. The answers from the local tourism authorities will allow the researchers to get a professional and official perspective on the implementation of the repositioning strategies in the destination of Madeira. On the other hand, the insights of the local entrepreneurs will give an insider perspective from the local point of view with people more likely to interact with tourists on a daily basis. These interviews will allow the researchers to compare whether the opinions and expectations align between both parties.

## 4.3. Sampling

A combination of purposive and snowballing sampling is applied in the degree project. Initially, the researchers have located and contacted specific individuals, namely local entrepreneurs from the tourism industry in Madeira Island as well as stakeholders who have access to a substantial network of such entrepreneurs. Moreover, the authors have located and contacted local authorities. Consequently, the researchers have utilized snowball sampling, which has allowed them to leverage the professional network of the already selected participants (Saunders, 2007).

Thus, the contacts from the purposive sampling have been asked to propose and link the researchers with other potential interviewees – local tourism businesses, governmental and non-governmental associations, who meet the sampling criteria. Through this sample, the researchers strived to provide accounts of experiences of empirical manifestation of the rejuvenation process. The aim of the sample was to include a dual perspective, from the point of view of the governmental official tourism authorities, as well as non-governmental companies.

The complete study population was established using several sampling criteria. Firstly, as mentioned previously, the participants had to either be a part of either local businesses, governmental associations or non-governmental associations. Moreover, the firms had to either be in the tourism industry, or their business activities had to be influenced directly by the tourism industry. Demographically, the sample is represented by inhabitants of Madeira Island, and more specifically, representing companies doing business in Funchal, the capital city of Madeira. Lastly, the selected firms had to operate in the following economic activities within the tourism sector:

Food & Beverage	Accommodation
Transportation	Governmental organizations
Tour Agencies	NGOs
Cultural Associations	Tour Guides

*Table 3.1 Tourism sector categories chosen for the interviews*

These categories corresponded to the sectors within the tourism and culture industries that the researchers believed to be the most relevant and active. Therefore the participants from these sectors could potentially provide the most relevant and up-to-date insights about the tourism industries. However, some participants that were interviewed are working at companies that fulfil the status of multiple categories simultaneously.

#### 4.4. Interview Questions

The interview questions used for this study were constructed by taking into account the theoretical concepts that are relevant to this study and that were discussed in the literature review. As seen in the interview guide in Appendix 1, a total of 15 questions were used during interviews. The questions were formulated against three focus areas: repositioning (questions 1 - 8), diversification (questions 9 - 10) and capabilities (11 - 15). The questions that were focused on repositioning, were aimed at gathering detailed information about the past, present and future destination image of Madeira. In this focus area, the researchers wanted to confirm whether a rejuvenation process is occurring, after which, the questions dived deeper into how this process is affecting the current and future tourism market. Question number seven was created to examine the role of local entrepreneurs and the local authorities in the repositioning of Madeira

Island. The questions in the diversification focus area centered around innovative products and services that were or were not implemented in Madeira Island. The final focus area, capabilities, included questions about the ways, in which the destination (and the local companies) have been preparing internally for this process, the resources that have been utilized or altered, and the knowledge and expertise that has been applied during this process.

To avoid miscommunication and misunderstandings, the authors specifically avoided the use of academic jargon and the mention of theoretical concepts (Easterby-Smith et al. 2021).

## 4.5. Interview process

The interview process was quite extraordinary and involved some variations. As the case study is about Madeira Island, all of the participants are based in Madeira Island, and predominantly in Funchal, the capital of the archipelago. According to Easterby-Smith et al. (2021), meeting face-to-face is the best method to complete an interview, as it allows for effective and honest observation. In order to gather a sufficient number of participants and for the reasons mentioned previously, one of the researchers traveled to Madeira Island. However, due to the time limitations during the authors' time in Madeira, some interviews were also conducted remotely. During the face-to-face and remote interviews, the researchers used the transcribing software Otter which made it possible for the researchers to conduct the interviews rotationally.

The face-to-face interviews were conducted over a two-week period in Funchal, from 24th April until the 5th May. The interviews were scheduled according to the availability of the respondents. Since all the face-to-face interviewees were based and had offices in Funchal, it was relatively easy to arrange a convenient location and time for the interviews. However, a limitation was the fact that the researchers were not in control of the interview environment and on several occasions, there were unexpected circumstances and disturbances that complicated the interview process. For example, during one interview in a tour agency, the interview was conducted in the office during work hours, which meant that anyone could come in and interrupt the interview. However, all the interviews were completed without major interruptions. Furthermore, the interviewing period coincided with one of the biggest festivals in Funchal, the Flower Festival, which is also considered to be the most intense time of the year in terms of tourism influx.

Overall, the face-to-face interviews lasted between 35-50 minutes. During the interview process, the researcher made sure to provide clarifications whenever the interviewee expressed uncertainty or confusion. Moreover, the researcher employed follow-up questions to elicit more elaborate and comprehensive responses from the interviewee. During the interviews, consent was granted by the interviewees to record the sessions. Later, the transcribing software Otter.ai was used, and further alterations and corrections were made manually by the researchers.

Four out of eleven interviews were conducted remotely through the communications platform Zoom. To make the process as easy as possible for the participants, the researchers prioritized the schedule of the participant and when the date was determined, a Zoom invitation was sent to the participant. When the online interview commenced, the researcher asked for permission to record the interview, as it would allow them to return to the interview for a more detailed analysis. Following a brief description of the study, the researcher commenced the discussion. Throughout the discussion, the researcher made sure to explain the question when the



interviewee was uncertain about something and ask follow-up questions to encourage more detailed answers. Towards the end of the interview, the researcher made sure to remind the participant whether they wanted to strike something off the record, as well as making sure they could always contact both of the researchers in case they have any questions. The online interview lasted on average 45 minutes.

One interviewee requested to answer the questions in written form, in contradiction to the belief that candidates prefer to participate in interviews rather than complete a questionnaire or provide written answers (Saunders, Lewis & Thornhill, 2012). Therefore, the online interviews were conducted synchronously (in real-time) and asynchronously (questions were sent to the participant ahead of time). A number of risks have been identified in relation to online interviews, such as the participant being more likely to drop out of the interview (especially in the asynchronous mode) and not being in control of the surrounding environment of the interviewee (Bell, Bryman & Harley, 2019). Nevertheless, some scholars believe that online interviews (especially asynchronous interviews) tend to produce higher-quality data because the participant has more time to think about their answers. When the participant requested to answer the questions in written form, the researchers created a Word document with a brief but concise description of the study that is being conducted, as well as a structured layout with text boxes underneath each question to make the writing process easier for the participants.

## 4.6. Data Analysis Method

Structuring, analyzing and interpreting empirical data is the pivotal stage that partially determines the credibility of the empirical results and the value of the proposed research hypothesis reflected in the research question. It is widely acknowledged across academic literature that there are no clear-cut guidelines to analyze qualitative data (Bell, Bryman & Harley, 2019). Qualitative data is rich in essence and the researcher needs to construct a pathway to make sense of the data which will contribute to valid findings (Stake, 2010). One of the most common data analysis methods across qualitative studies is known as thematic analysis. Thematic analysis is defined as the method of analysing data by looking for patterns in its meaning to find common themes. One of the main criteria for establishing a pattern is repetition. However, repetition alone is not sufficient enough to identify a theme. Relevance is crucial to meet the aim of the research (Bell, Bryman & Harley, 2019). To ensure a straightforward start to the analysis of the data, the researchers decided to transcribe the interviews using the transcribing software Otter. Each interview was saved as a file in combination with the audio recording. Following the interview, the transcription was read simultaneously when the audio recording was played in order to fix any inconsistencies and errors.

Although the majority of the analysis is conducted post-interviews, it is important to note that some distillation and interpretation of the empirical material occur during the interview process itself (Rennstam & Wästerfors, 2018). This approach involved seeking explanations and clarifications from the interviewees to address any uncertainties or ambiguities. As a result, preliminary ideas and potential codes began to take shape during this interactive phase.

Following the completion of the interviews, all empirical data was systematically gathered and organized to ensure its readiness for analysis. This encompassed the collection and sorting of video recordings from the Zoom interviews, online transcriptions, and interview notes into

dedicated folders. At this stage, all available data, including recorded material and field notes, was thoroughly examined to facilitate the analysis process. This process commenced with constructing a table with all interview questions and the relevant quotes for the responses. Focused coding, a technique outlined by Rennstam and Wästerfors (2018), was employed to provide a framework for organizing larger volumes of data. By reading through the data and extracting relevant keywords from each answer, primary codes were identified and applied to the entire corpus of empirical material. The next step included summarizing all relevant keywords from each response to represent the question. Subsequently, a conceptualization process, as outlined by Easterby-Smith et al. (2021), was implemented. This involved delving into the underlying meanings and significance of the data, identifying patterns and commonalities across the codes, and subsequently comparing and grouping them into two main themes, 'destination capabilities' and 'entrepreneurial capabilities'.

The themes were further broken down into categories. The destination capabilities theme consists of three categories and each category was further divided into relevant sub-categories: Local identity distinction (diverse nature preserving, preserving local traditions, capitalizing on European identity, mass tourism regulation, sustaining of safety, the continuation of hospitality, proximity promotion), natural resources utilization (sustainability development, developing nature-based activities, emphasizing wellness properties, local agriculture development), and governmental facilitation (creating promotional associations, realigning the image, incentivising youth initiatives, developing infrastructure, imposing regulations, creating favorable entrepreneurial conditions, creating awareness).

The entrepreneurial capabilities theme was similarly divided into three categories and further into sub-categories: collaboration and integration development (communal integration, skills and knowledge sharing, developing community hubs, industry-level collaboration, facilitating entrepreneurial growth), adaptation and innovation facilitation (adapting the offer, establishing new businesses, growing new departments, improving product quality, amending the promotion and communication strategy, digitisation of products, following the lead), and r(identifying new trends, capitalising on (e)-WOM momentum, utilizing business intelligence, foreseeing potential business challenges, embracing outsider perspectives). Each of the categories was constructed by coding similarities in the codes which were attached to another level of analysis, sub-categories based on similarity coding.

## 4.7. Research Quality

Validity, reliability and generalisability are crucial concepts when evaluating the quality of any research. Qualitative studies oftentimes use a set of different criteria in contrast to quantitative studies (Bell, Bryman & Harley, 2019). Lincoln and Guba (1985) suggested the concept of trustworthiness as a concept to evaluate the quality of a study. The aforementioned authors divided trustworthiness into four elements: credibility, transferability, dependability and confirmability. This section will make use of the concept proposed by Lincoln and Guba (1985) to briefly discuss each concept and discuss it against this study.

Dependability is a concept that refers to how consistently something can be measured. The methods of a study are considered reliable if the same results can be obtained when using the

same methods (Miksza et al. 2023). The dependability of this research was achieved by taking into account multiple factors. Because this thesis is a case study of an autonomous region, it was of the utmost importance for the researchers to gather primary data from locals (both entrepreneurs and tourism authorities). Primarily, because the locals have a first-hand view and knowledge of the tourism situation in Madeira Island. The official language of Madeira Island is Portuguese and neither of the researchers speak the official language. To avoid potential miscommunications which can lead to researcher bias, the interview questions were formulated taking into account the language differences. The interviews were conducted by the authors rotationally, both offline and online. As a result, the follow-up questions are different. Nevertheless, the interview questions that were formulated in advance of the interviews, provided a strong foundation for any future comparability during the analysis.

Confirmability refers to objectivity and whether the research has been affected by the values and biases of the researcher (Stenfors, Kajamaa & Bennett, 2020). The researchers of this study intend to achieve confirmability through a thorough analysis of empirical data. Furthermore, the choice to interview both the local entrepreneurs and local authorities will allow for an unbiased dual perspective on how the repositioning and diversification strategies are implemented in Madeira. Furthermore, gathering opinions from various professions in the tourism industry will prevent selection bias. To clarify, gathering insights from various tourism sectors in Madeira will allow the researchers to draw conclusions on a larger scale rather than just one tourism sector e.g. food and beverage industry.

The transferability concept refers to whether the results can be generalized to other contexts (Stahl & King, 2020). The general consensus with case studies is low transferability due to the personalized needs and resources of every destination (Bell, Bryman & Harley, 2019; Miksza et al. 2023). Because this case study is uniquely dependent on the period when the country may or may not be undergoing rejuvenation, applying the same method to a different tourist destination in hopes of the same results might not be possible. Unless said tourist destination is an island destination undergoing changes that could be reflected in the TALC. An additional threat to transferability is the snowball sampling that is used in this study. Because snowball sampling involves targeting specific individuals, the sampling may not be representative of the entire population.

Credibility is a concept that questions the validity of the findings (Stahl and King, 2020). One of the techniques implemented in this research to ensure the credibility of the research was conducting semi-structured interviews with an interview guide. The interview guide made it possible for the researchers to gather all necessary data in a structured way, whilst the semi-structured nature of the interview allowed them to freely ask follow-up questions and give the responders more freedom to discuss the thing they deemed could be relevant. Because the case study surrounds Madeira Island, the researchers deemed it to be the most suitable to only interview Madeiran locals and those who are actively involved in the tourism industry. As the research aimed to consider rejuvenation from both an entrepreneurial perspective and the governmental perspective, the researchers made sure to interview governmental organizations and a representative for the tourism industry from the government of Madeira. Furthermore, the respondents were consciously selected from different sectors of the tourism industry to take into account as many perspectives as possible and form unbiased findings.

## 4.8. Ethical considerations

A number of principles have been outlined to ensure that the degree project will be conducted in an ethical manner. Most often, the principles of ethical research are derived from the four problem areas constructed by Diener and Crandall (1978). The following problem areas have been identified: any harm to participants, lack of informed consent, invasion of privacy and deception. Harm to participants can be interpreted in numerous ways, whether it is physical, harmful to someone's career or stress-inducing. Because of the nature of the data collection method and the interviews that are conducted, the researchers ensure complete anonymity and confidentiality upon request of the participants (Bhandari, 2021). Furthermore, the researchers provide the interview participants with the knowledge of the purpose, and benefits behind the study. The participants' names or personal or sensitive information are not to be disclosed in the final study and will be handled with the utmost care during the research and interview processes. Only the two researchers of this study will have access to data of sensitive nature.

For the duration of this study, the data collected during this research will be handled transparently, lawfully and fairly. Most importantly, the data will not be misinterpreted and researcher bias will be avoided. Moreover, the researchers make sure to explain the voluntary nature of the research when requesting an interview opportunity with participants. During the interview process, the researchers make sure to be honest, ensure the comfort of the participants and ensure clarity during the entire process. Furthermore, the secondary data used in this study will be processed per academic honesty and adherence to the plagiarism fabrication and falsification code of conduct of Lund University.

## 5. Findings and Analysis

*This chapter will present the empirical data that was collected by conducting eleven semi-structured interviews with relevant stakeholders from the Madeiran tourism industry. The empirical findings and the analysis will be supported by quotes of the respondents, the list of which can be observed in Appendix 2.*

### 5.1 Case Description

Madeira Island is a small volcanic island (with a surface area of 741 km<sup>2</sup>) located in the Atlantic Ocean, 900 km from mainland Portugal. It is widely known for its rich biodiversity and diverse landscapes (Shurvell, 2019). The Laurissilva forest is one of the many renowned locations on the island, dating back to approximately 20 million years ago and has been declared a UNESCO World Heritage Site (UNESCO, 2023). The climate of Madeira has been one of the key factors that distinguishes it from its island destination competitors such as Mallorca and Malta. It's a comfortable subtropical climate with temperatures ranging between 18.9°C to 26.2°C (Met Office, 2023).

The capital Funchal (with a municipality area of 76.15 km<sup>2</sup>) is the largest center for tourism, culture and commerce in Madeira and is also home to an international port which from the early days of its foundation (in the 19th century) served as a pitstop for steamers on transatlantic journeys (Visit Madeira, 2023). The region has a loyal tourist segment and over the years numerous studies have been conducted with Madeira at the center, including such that discuss Butler's Tourism Area life cycle Model (Almeida & Correia, 2010). The tourism industry in Madeira is the backbone of the region's economy and is therefore a lucrative subject to explore.

In 2022, it was reported that Madeira received 15.3 million tourist arrivals that year (López, 2023), which is over double the amount compared to the previous year. Moreover, the foundation of the pilot project Digital Nomads Madeira Island by the Regional Government of Madeira through Startup Madeira (a European Business Network certified incubator), facilitated the increase of young professionals by developing products and services that are best suited for the needs of the nomads. The increase digital nomads in Madeira naturally means an increase in the younger segment of tourists, making Madeira Island an excellent case test that will delve into the phenomenon of rejuvenation.

### 5.2 Destination Capabilities

Destination capabilities are a theme that was identified from the capabilities of Madeira Island as a destination. These capabilities include various region-specific actions that are related to preserving, developing, and promoting Madeira Island within various sub-sectors of the tourism industry.

#### 5.2.1 Local identity distinction

Local identity distinction is a capability associated with retaining the properties of Madeira Island that make it a unique destination according to the respondents. The first sub-category in this section is 'diverse nature preserving'. According to seven out of eleven respondents,

Madeira Island has a unique and diverse nature. Respondents mentioned more specific nature-related qualities such as ‘geographical diversity’ and ‘breathtaking landscapes’. Respondent 5 who is working as a governmental representative for the tourism industry in Madeira Island articulated that the main attraction of the island is nature-specific activities:

*“In Madeira, the highlight is the multiplicity of experiences it offers, where one of the main attractions are the levada walks and trails, with around 3,000 kilometers to follow and explore, discovering breathtaking landscapes, in a unique encounter with nature.”*

Naturally, one of the biggest capabilities associated with the nature aspect of the island was preserving it. Multiple respondents emphasized an additional benefit of Madeira Island, proximity. Proximity was mentioned multiple times, as the island is quite compact and it is easy to get from destination A to destination B in a short amount of time. The responses revealed the indication that proximity is a definitive trait of Madeira Island which is used for the promotion of the destination. This tendency was seen in the responses to the question about the desired destination image of the island. The general manager at a hotel in Funchal (Respondent 11) corroborated this view, especially in regard to slow tourists and remote workers that are living on the island:

*“...You can be working as a digital nomad, [...] and on the same day, you can go hiking, because you don't need to travel like four hours to reach a point where you are in the wildlife...”*

The results indicate that nature in combination with the proximity in Madeira is of great importance, as it is one of the main tourist offers. A number of respondents noted the vitality of mass tourism regulations. Standing on its own, mass tourism has been proven to be the root of many problems. This was confirmed in the responses. Respondent 7 highlighted the risks of an increased number of people that can lead to the destruction of natural sites:

*“For example, people go hiking, and there is this huge problem with parking spaces in the mountains, or there are hiking places that get really crowded, and that can be even dangerous. So I mean, we do have our limitations.”* (Respondent 7)

Although nature is not the only offer of the island requiring monitoring that was mentioned in the responses. The preservation of local traditions is a sub-category that arose from the data. As mentioned by a respondent, Madeira prides itself on their traditions, whether it is local gastronomy or traditional embroidery. The capability to maintain the traditions was of utmost importance for many interviewees:

*“It has to keep its authenticity and uniqueness, value the traditional stuff from Madeira. That's what people are looking for when they come on holiday. They want to eat the local food, they want to understand the local traditions, which are created in Madeira, so it really has to keep that identity...”* (Respondent 9)

According to the responses, there is a concern about rising mass tourism on the island. Furthermore, there is rising interest from remote workers, also known as digital nomads, to extend their stay on Madeira Island. As seen in the responses, this causes an issue with accommodation availability and rising prices, making it hard for locals to purchase real estate property. The respondents fear that this could force the locals to move away from the island, which will lead to the island losing its traditions and thus its uniqueness. This issue also relates to

the continuation of hospitality on Madeira Island. The majority of respondents acknowledged hospitality and the welcoming nature of Madeirans as one of the main identity distinctions of the island:

*“...And what makes Madeira so great is essentially, this wonderful community, which is here to welcome anyone with open arms...”* (Respondent 6)

Some respondents raised a concern that the increasing mass tourism could potentially give the locals a negative attitude towards tourists, which will be threatening to the decades-long hospitality that Madeira Island is known for.

*“If you start having a kind of traffic jam in nature, this is not good. And you will start to destroy the natural resources that it's our main attraction. You start having an unbalanced attitude and local people will start not liking the number of tourists and this is like, you know, like a snowball...”* (Respondent 11)

Respondent 11 drew a comparison between Madeira Island and Lisbon in Portugal that experienced the negative phenomenon that they believe Madeira Island should try avoiding:

*“...This is an issue now in Madeira. In Lisbon in Portugal, it's very hard to afford or to rent a house nowadays, people start to get against the tourists and this is not what we want, the tourists and not only the tourists, the people that come and that there are not any more tourists...”*

Another significant factor mentioned in the interview responses is the “European identity” associated with Madeira Island. Respondent 1, who works in a local cafe formulated the following explanation:

*"It's Europe, which is also important because there are not many islands in Europe with this kind of climate. And if you are living in Europe, you feel you're protected by law, you know that local authorities will relate to you as in every European country."*

Sustaining safety is an important capability amongst the responders which was a determining factor that elevates the attractiveness of Madeira Island, largely associated with the aforementioned ‘European identity’. The responses indicate that safety is one of the alluring factors of the destination that has been perpetual long before any indication of the rejuvenation phenomenon was observable on the island. According to the responses, the safety of the island was an important factor for the traditional tourist segment of Madeira Island who traditionally have been the economically powerful visitors over the age of 40. The tendency of these tourists included visiting Madeira Island for its healing properties that are largely because of the unique microclimate of the island which imitates ‘an internal spring’. Furthermore, the safety aspect was highlighted during the COVID-19 pandemic when Madeira became known as one of the safest places by acquiring the ‘green destination’ in the COVID Travel Traffic Light System:

*“...Madeira has had a very powerful and very good way of dealing with COVID. The regional government did an incredible job. I mean, it was part of the of that process, and they handled it in a very good way which allowed after for Madeira to be positioned as a green destination, post COVID and attracted a clientele that didn't use to come to Madeira so we started to attract people who had no idea about Madeira, but because Madeira was on the green list that they*

wanted to come post COVID and many of them decided to spend many months in Madeira to work remotely.” (Respondent 9)

## 5.2.2 Natural resource utilization

As a destination with a lot of access to water and sunlight, it seems that natural resource utilization is a capability that should be developed more, as expressed by the respondents. This category in the analysis includes capabilities that are related to developing, utilizing, and promoting the natural resources of Madeira Island.

Madeira Island is a volcanic island in the North Atlantic Ocean and therefore has big access to water and all-year-round sunlight. Acknowledged by many respondents, sustainability is a capability that can provide the most advantages in the rejuvenation of the island and most importantly attracting the type of tourists that are conscious about their footprint on the island and surroundings. Simultaneously, attracting and urging people to be more sustainable when visiting the island has been described as a challenging capability. Respondent 3, who works as a manager at a few hostels around the island confirmed the aforementioned statement by expressing the following opinion:

*“I believe that sustainability is the way of the future, otherwise, we are doomed. So if you only look at the money side of things, you won't be sustainable. You won't respect what you have around you. And if you're just leaving one place to the other to destroy each one you pass by you will end up with nothing. And this is like a little corner of the world which is still in Europe with the best weather you can have you wouldn't want to destroy in every sense of the word. So I think the main struggle is to change the mindset of everyone that consumes you in a sustainable way.”*

The data shows that it is of high importance for the respondents that Madeira is seen as a sustainable tourist destination in the eyes of the tourists. Some steps have already been taken to solidify this view by benchmarking the island as a green destination and receiving the EarthCheck Destinations program certification. Nevertheless, many respondents believe that there is more that needs to be done and that the natural resources of the island could be utilized to make the island more sustainable and self-reliant. A respondent from a co-working company (Respondent 7) expressed that laying the emphasis on promoting active nature tourism is the right strategy for Madeira Island:

*“...It's the mountains, it's the ocean, it's the surf, the hiking, our main picture is always nature. So I believe that has been used and is still being used to attract this young public. And I think it's the right thing because everyone is looking for nature. And, to aggregate nature with a place to work, a place to live, and a place to explore.”*

When analyzing the data it was clear that a big majority are connecting the presence and promotion of active tourism with the younger segment of tourists that have been more interested in Madeira Island in recent years. Most respondents mentioned that Madeira Island was previously promoted as ‘Europe’s spa’, a relaxing and peaceful destination. Respondents agreed that this was the perfect strategy for the traditional tourist segment. However, they explained that when the COVID-19 pandemic occurred, the travel habits of the tourists changed. A number of respondents believe it was due to the nature of the virus affecting more older adults which meant that the traditional segment was weary of traveling. Some mentioned that COVID-19 caused



people to have a sort of ‘spiritual awakening’ causing them to rethink their lives and move to new locations. Others pointed toward the rising prices of accommodation in large cities. All aforementioned factors led to the increased presence of a younger tourist demographic on Madeira Island. It would seem that because of this the local authorities saw the opportunity to diversify audiences and increase promotion towards the active tourism strategy. This included the promotion of hiking trails along the Madeiran levadas, and mountain and sea activities such as mountain biking, surfing, diving, and whale watching.

Various suggestions have been made to utilize natural resources, a few examples include, taking advantage of sunlight and gas, and other fuels with solar panels. The production of electricity through the utilization of spring water, also the collection of rainwater for the purposes of rainwater drainage systems. Facilitating small farms to grow vegetables in individual hotels to make them more self-sufficient and less reliant on imports. Going hand in hand with the development of sustainability, local agriculture development is a highly relevant sub-category in this analysis. Throughout the data, various respondents mentioned that local restaurateurs are choosing more often to purchase local produce:

*“...In the food industry, for example, we're seeing chefs that are doing more with the local products instead of importing everything...”* (Respondent 3)

A parallel was drawn between the need for local agriculture development and preserving the diverse nature of the island. Respondent 9 argued that local agriculture has the capability to preserve the local landscape:

*“...The more self-sufficient you become on the island, the better if you manage to minimize imports and all this, so obviously, it's a very much subsidized industry, agriculture, and more subsidies would be welcome for people who really go down the local route [...] I think you should incentivize even more the agricultural business so that the landscape still looks as pretty as it used to be...”*

As previously mentioned a few paragraphs earlier, Madeira Island has been historically promoted as a healing destination. Its natural wellness properties were recurring similarities in the interviews. A respondent working at a non-profit organization that supports digital nomads (Respondent 6) referred to the history of the island when visitors suffering from tuberculosis traveled for the healing properties as a result of the microclimate.

*“...Madeira is known for healing so, a lot of the world is in the past, they would come here, especially because of the microclimate that we have. So, anyone suffering from tuberculosis, for example, Madeira was known for that...”*

Respondent 9 believed that the healing and medical aspect of the island could be further promoted. In combination with active tourism, Madeira Island could become capable to attract a diverse segment of tourists:

*“Actually, that's an opportunity in Madeira and I believe we started to do that by organising a retreat, one in November, one in April [...] Madeira could benefit from some medical and wellness tourism and more than what is doing right now. Because it ticks all the boxes that you need to have for that kind of client to have that kind of experience.”*

### 5.2.3 Governmental Facilitation

The final category of the destination capability theme is governmental facilitation. This category is related to the capabilities of the local government to amongst others develop, incentivise and promote Madeira Island as a destination.

As seen in the responses of the interview participants, the local authorities mainly hold a positive and proactive image in the minds of locals. Multiple responses included information on the numerous ways the local government is developing the island. The first capability of the local government observable in relation to the rejuvenation process in Madeira was the ‘creation of promotional associations’. Madeira Promotion Bureau is a promotional association that promotes Madeira as a tourist destination, on a national and international level. It was mentioned by the majority of the respondents as the entity that decides the nature of the communication about the island:

*“There is AP Madera, which is the Promotion Bureau. And it's half government and half local stakeholders. There is an action plan on promoting the island, but I think everybody as well tries to do their own promotion and try to be innovative in what they can offer.”* (Respondent 9)

*“...The government is a big stakeholder because the government owns the Promotion Bureau, they decide the way they're communicating...”* (Respondent 6)

The respondents agreed that the promotion bureau possesses a strong voice which determines the direction in which the image of the island aligns. The data clearly demonstrates that the government is solely responsible for realigning the image of the island. Respondents 6 and 11, noticed a change in the communication which included asking famous influencers and actors to visit and promote the island, they connected this phenomenon with the rebranding of the island:

*“If you look at how the Promotion Bureau is communicating now in a bit younger way. Utilizing YouTube. Now you show that you can go canyoning, you show things that are a bit more experience-oriented and not just staying and visiting the monuments...”* (Respondent 6)

*“To start to attract other types of tourists, even for the Portuguese markets, they started to ask famous actors and influencers [...] to become the face or the brand of the island. And this started to have an effect on people.”* (Respondent 11)

Creating awareness is a capability similar to realigning the image. According to the responses, in the case of Madeira Island, this capability became relevant during and post-COVID-19. By positioning Madeira as a safe destination, the government managed to attract a tourist segment that had never before heard of the island:

*“Madeira had a very powerful and very good way of dealing with COVID. The regional government did an incredible job. I mean, it was part of that process, and they handled it in a very good way which allowed Madeira to be positioned as a green destination. [...] We started to attract people who had no idea about Madeira, but because Madeira was on the green list, they wanted to come post-COVID and many of them decided to spend many months in Madeira to work remotely.”* (Respondent 9)

Aside from promoting and realigning the image of the island, the local government is responsible for developing infrastructure capable of hosting the desired number of visitors. The respondents hold certain contradicting views, some believe that the infrastructure is not developed enough to sustain a new tourist segment, whilst others are under the impression that what has been done up until now is perfectly satisfactory. One respondent from a digital nomad community (Respondent 2) organization and another from a hospitality company (Respondent 10) expressed that Madeira possesses the infrastructure needed for tourism:

*“Madeira by itself, has everything infrastructure-wise already...”* (Respondent 2)

*“... You have all the infrastructure so you have developed roads, you have developed buildings, you have superfast internet, the airport works, we now have some low costs as well flying here...”* (Respondent 6)

Although the infrastructural developments are sufficient for now, a potential influx of tourists on an island with limited space can cause some severe challenges. As mentioned by one respondent, the capability of working on improving the condition does not always keep up with the rapid growth of the tourism industry. Some respondents argued that the island needs further development in terms of infrastructure:

*“... But the island is small, and we have to develop infrastructure, we have to develop a culture, cultural things. Well, I think it is going to take a little bit more time...”* (Respondent 10)

Nevertheless, according to the responses, the local government has been committed to digitizing and providing 5G internet connection throughout the island. Digitisation is especially observable as the local government has facilitated the development of a number of digital applications in the tourism industry such as Madeira Safe to Discover App (active during the pandemic), a number of new websites detailing the touristic possibilities of the island, as well as internal software PRISMA used as a tool to aid the employees of the promotional associations. Finally, multiple respondents (not working within the governmental sector) mentioned a newly available application for safe hiking that shows amongst others the weather conditions and trail routes.

It is important to note, that the analysis clearly demonstrates that there are a few challenges associated with rejuvenation and the need for imposing regulations is a necessary capability expressed by the local entrepreneurs. In the first category of the destination capability sub-chapter, a section was dedicated to discussing the consequences of mass tourism to Madeira Island. The respondents highlighted the importance of the government imposing regulations to prevent Madeira Island from falling into mass tourism and subsequently losing its uniqueness. Traces of irresponsible tourist behavior were already visible. An example of this behavior was described by Respondent 5:

*“We've been having a lot of issues lately regarding these kinds of new tourists coming. People are going up and camping wherever they want, So this has to stop.”*

*“People start fires, trying to build these piles of stones, which is a very known thing in northern Europe. Some things that we don't do, [...] it was nice. And I have some photos. But then I also have photos of people just trying to tumble them down. And that is not nice and especially when they are spread around.”*

Although the responders have shared that the government has already imposed some regulations, such as charging for entrance at specific nature spots. Respondents believe that this is an effective way to see the intentions of tourists and slow down the traffic on certain nature trails. Nonetheless, the data shows that the local government might need to take further actions to prevent Madeira Island from falling into mass tourism.

An example was brought up by Respondent 9 when the respondent brought up an example of a destination imposing a regulation minimizing the number of tourists:

*"In Brazil. [...] There is an island [...] Fernando de Noronha. It is a natural reserve of nature and animals, and they only allow a percentage of humans on the island per day. This way it will not affect the ecosystem of nature and the animals. And I really think that in Madeira, they need to start thinking about that. Not thinking, but acting on that, because we can think a lot and never do anything..."*

As mentioned briefly in the previous quote, local entrepreneurs are also hoping that the issues with mass tourism will be dealt with in advance, therefore hindering serious problems that may come with it. The following opinion was shared by Respondent 9:

*"...I hope that Madeira doesn't get to that point where they wait really til the last minute when it is unbearable to take these measures. [...] You should be a better visionary and anticipate these problems and mitigate them before they arrive. [...] So if you know that's going to happen, that's the purpose and in the interests of the regional government to start mitigating this before they arrive..."*

Some respondents drew a parallel between the development of the infrastructure with the entry of Portugal into the European Union (EU). According to one respondent (Interview 3), Madeira Island received incentives and funding opportunities, allowing the infrastructure to develop further. Due to the geographical properties of the island, new roads and tunnels were especially emphasized in the data. The entry to the EU, even allowed Madeira Island to incentivise youth initiatives such as the Erasmus+ programme which combines all the EU's current schemes for education, training, sport and youth. A respondent working as gallery director within a non-governmental organization in Funchal confirmed the activity of Erasmus-based schemes within their business:

*"...As a president of an NGO, we work a lot with Erasmus and we invite a lot of young people every year..."* (Respondent 4)

Incentivising youth initiatives is an unlikely governmental capability that has the potential to attract new interest towards the island. This capability goes partially hand in hand with another capability which is creating favorable entrepreneurial conditions. As seen in the data, Madeira Island has become quite the hotspot for remote workers also known as digital nomads. When speaking with a local government representative (Respondent 8) he stated the following fact:

*"The Regional Government of Madeira has the duty to create all the conditions for entrepreneurs to successfully carry out their activities. This is what we have achieved, and we remain committed to doing so to strengthen the Tourism sector and, consequently, the entire economy of the Autonomous Region of Madeira, which accounts for 29% of the Regional GDP."*

After interviewing two companies that were created to support digital nomads, it was confirmed that the government played a significant role in supporting these companies by being active stakeholders facilitating all operations:

*“...The government is the facilitator of all the operations. And we were the ones that put all the wheels in motion, and everything else came naturally. And private businesses started picking up and seeing what others are doing and so it was a snowball.” (Respondent 2)*

From the analysis of the final category, it is clear that governmental facilitation is a capability that plays a significant role in the rejuvenation of the island. However, the data does indicate that there is a fear of mass tourism which indicates that there is a need to incentivise preventative strategies surrounding specifically mass tourism.

## 5.3 Entrepreneurial Capabilities

The second category, entrepreneurial capabilities, encompasses patterns of activities developed by the tourism companies’ enabling the diversification and repositioning of Madeira Island to rejuvenate the destination. According to the empirical findings, such capabilities were classified into activities related to collaboration and integration, adaptation and innovation as well as expertise and knowledge.

### 5.3.1 Collaboration and Integration Development

The development of activities and initiatives related to collaboration and communal integration appeared to be a central part of what tourism companies do to rejuvenate Madeira Island.

Communal integration is a recurring topic that was mentioned during the interview process. According to the respondents, it signifies bridging the gap between locals and tourists and facilitating activities that would nudge tourists to ‘contribute to’ and ‘give back’ to the local community. For instance, one of the respondents mentioned that the aim is to attract *“...a tourist that comes and contributes not only money wise but that contributes in some way”*.

One means of communal integration is organizing community events, which becomes evident in multiple interviews with both nonprofit and for-profit organizations. Respondents 2,6 and 11 give examples of community events that are being organized such as music events, pool parties, rooftop events, networking lunches, and international weekly hangouts. However, 2 of these respondents also clarify that the main aim of the events is not to merely have fun, but also to promote and support local businesses:

*"We do pool parties, but the pool parties are not only music [...] and drinks. They (the NGO) are very aware of the thing of contributing to the community and giving other types of options, so in these pool parties, you have local designers, for example, we have a local designer of bikinis. And she came, she could sell the bikini at the party and you had the nomads wearing the bikinis whilst promoting a local designer.”*

Respondent 6, from the perspective of a non-profit company emphasized the fact that with the events initiated by their organization “integrate everyone” - from locals to tourists, digital nomads, kids, and even pets:

*"...So again, we always highlight that at all these events [...] it's all about integration and most importantly, always integration with the local people also".*

*This is reflected upon again in another quote from the same interview:*

*"Yeah, it looks like a party. And it's a lot of fun. But there's a lot that goes on behind the scenes, there's a lot of integration, there are people helping one another."*

It is also highlighted that other types of events such as hackathons are facilitated with the ambition to tackle cultural and social challenges:

*"We're going to do that hackathon for the second time to solve some social problems here in Madeira, from, homelessness to security. We pick the topics and then we try to create for that. So, it's not just the events, it's a big list of things that we do. And it's long-term and short-term. And it's the maintenance of the community and increasing the giving back of this community."*

Similarly, Respondent 9 shares that his company organizes beach cleaning events, and "a range of activities that brings the local community and the tourists together". He also mentions that tourists "quite like to engage with these things" and concludes that such initiatives "benefit really much the local community" and are "very powerful and positive."

Another important capability derived from the empirical material and related to collaboration is skills and knowledge sharing. This becomes particularly evident during some of the events organized by and for the digital nomad community, where digital skills are being taught to the local community. For example, Respondent 9 explained that they are "having some open days so that they can teach the schools and the local people how to use computers and how to use (digital) programs". Another example was given by Respondent 11 about a farming experience aimed at exchanging knowledge between local farmers and tourists:

*"...They (the farmers) announced it and they said, "You can come, you help us and you see what farming is like". And so, they bring buses of tourists that help them do their work, and in the end, they do a small meal where everybody gets together, and they share knowledge with each other. And it's like, the tourists are here on vacation but they have a different experience that maybe a person that was born in New York never had in life, like putting their hands in the dirt, you know, and picking up vegetables and seeing how the process is being done. So, it's this type of dynamic for me. It's the way of balancing and providing a win-win experience for everybody."*

Developing community hubs, whether online or offline, appears to be another capability that local companies are utilizing in the process of rejuvenation. Respondent 4, an art director of a gallery, gives an example of the art hub they are developing for residents and tourists, in order to bring the art and creative community together:

*"We'd like to offer our space, part of our gallery for international, local and international artists or people who work for creative industries [...] You know, we'd like to collaborate with them. And they call that Art Hub Madeira. [...] You know artists, they can connect with artists, form some communities here, so we think about that. It's quite innovative."*

Respondent 7, the manager of a co-work, on the other hand, speaks about the online community groups available for digital nomads, which help a great deal when it comes to integrating the slower types of “tourists”:

*"Slack digital nomad group. Such a small thing makes all the difference. The WhatsApp groups, there's WhatsApp groups for everyone [...] and for everything like dance classes, property, rents.*

The importance of communities as well as community facilitation is also highlighted in the following quote by the project manager of a half-private, half-public organization that initiated the development of the digital nomad project in Madeira:

*"...So the project is where it is right now, with the impact that it has been having, not only financially, but also the sustainable side of it, and the social and cultural part of it, is only possible because of the communities that are taking care of digital nomads and remote workers. So we actually like to see ourselves as the 'hats of the ecosystem'. But this is only possible because of the different communities." (Respondent 2)*

One more facet of collaboration-inducing capabilities worth mentioning is industry-level collaboration. Some respondents indicated that a solid network of partners and collaborations in the tourism industry is essential to the successful completion of various projects and initiatives aimed at a diversified audience. Respondent 2 describes that the digital nomad project was “a mix of different parts (stakeholders)” “creating more solutions to boost the economy”. When speaking about the collaboration with industry experts, the respondent explains that they “already knew exactly who to talk to”, they “were just grabbing everyone because people already knew the ecosystem”. They also underline that their role was to “facilitate information” and “notify all the partners”.

Furthermore, the general manager of a big hotel chain reveals that industry-level consolidation is also evident in creating standards, regulations, and even restrictions in order to meet visitors' demands in the best way possible:

*"So now we're starting to even with our partners, from OTAs (online travel agencies), tour operators, to make an effort and work on saying 'no' if you have a couple in their 70s. And if you see that they are retired and they have some kind of disability, maybe this hotel is not for them anymore. In another type of hotel they will have different types of pools, a spa, different types of services. We want to retain but to be more accurate on going on the path of their (tourists') demands of what they need." (Respondent 11)*

Respondent 11 also shared some hope for further development of this capability in the future in order to tackle some of the challenges that might occur along the process of diversification and repositioning of Madeira Island:

*"And so, for me, what I would like is that all of us that work in this industry would gather and think of a strategy to balance in between all of the segments of older people and younger people. Digital nomads are people from technology that can come and contribute with new ideas and develop the community further because this is very important. If you start bringing people from the outside but they're only taking the resources and then they go they don't leave nothing for the local people."*

The final entrepreneurial capability that was identified in relation to collaboration and integration, is facilitating entrepreneurial growth. This was already suggested in some of the previous quotes. However, another example was given by one of the respondents in relation to the digital nomad project:

*“But first, it's important to be still on the project of the digital nomads, because we already know there are still some needs on the market that need to be along the way, created, either related to education, to safety, or to accommodation. And that's why we're still on because we want to always follow up with new entrepreneurs, already existing ones, and how they can co-adapt their services to this niche of the market. So, it's our way to act as facilitators between the digital nomads, and you know, the enterprises at the end of the day” (Respondent 2)*

### 5.3.2 Adaptation and Innovation Facilitation

The interview data revealed that adaptation and innovation are both crucial aspects of developing dynamic capabilities that allow for the revitalisation of Madeira as a tourist destination. In the case of Madeira Island, COVID-19 brought drastic and rapid shifts on destination, industry as well as individual business levels. According to the majority of the respondents, an aggregation of these shifts, in addition to the successful facilitation of some repositioning programs such as the aforementioned Digital Nomad program, began enticing a new audience of younger visitors to the island. This, on the other hand, allegedly had two main consequences for the tourism industry dynamics. Firstly, it brought fruitful business ideas for new opportunities. On the other hand, it nudged many traditional businesses to rethink their old ways of doing business and start adapting. As stated by one of the respondents:

*“And then with COVID, it (the destination) changed a lot because with this digital nomads boom started attracting a lot of younger crowds. And I think the local services also started adapting. They had like the typical dishes that typical restaurants offered up to the same typical tourism. And now it's more flexible. And more with the new trends.” (Respondent 2)*

Adapting the offer according to the needs of the market is the most evident capability type in this category that all respondents touched upon. As Respondent 10 commented: “If we (hoteliers) don't have a product that is suitable to the customers, it is not going to change. So, we also have to adapt and challenge what we have nowadays.” In the responses, this diversification is considered in terms of various developments such as introducing new products or services, growing new departments, or improving product quality.

In terms of launching new products or services, 10 out of 11 interviewees could identify at least one new service or product that they have introduced in order to diversify and adapt to the image transformation process Madeira is undergoing. Similarly, 10 out of 11 respondents gave examples of other Madeira companies in the tourism industry, which have started offering new products, services, or experiences for a new target audience.

In hotels, the offer adaptation efforts include creating more dynamic spaces in hotels by the introduction of co-work areas and organizing events on the premises such as barbeque pool parties and rooftop parties. An interesting insight was derived from Respondent 10, who described an adaptation to the hotel offer in terms of repositioning and change of concept in order to attract new customers:



*"For instance, we are currently working on the new positioning of Saccharum. It's our flagship in terms of sustainability, which means we are trying to change the concept of the hotel in order to attract new customers through a new product [...] So we're changing our mindset. Maybe we're going to attract new visitors, but maybe we're going to have fewer rooms, or the occupancy rate is going to be lower, or we're gonna work on other things that will be core and the strategy that they will pass on in terms of responsibility."*

This example also highlights the trend of having sustainability as a key focus in hospitality, with newly emerging initiatives such as tree planting to offset emissions and organizing events to target a segment that values more responsible tourism. As mentioned by Respondent 11, there are some pilot social projects being tested, which clearly indicate the innovativeness and adaptation involved in this process:

*"Now we're very focused on sustainability. [...] Everybody's thinking about this. And today we started a pilot project, we're just seeing if it works or not. That is if a guest doesn't want the room to be cleaned, they can report at the reception, and in return we will give them drinks (for free) and the room will not be cleaned during their stay."*

Furthermore, multiple respondents acknowledged the introduction of more active and adventure tourism activities by tour agencies such as canyoning, bike tours, boat trips, scuba diving, and surf lessons. These diversification examples suggest a tendency towards targeting more physically active tourists and naturally, a younger crowd. This is also reflected in the comment of Respondent 9, that "there has been a trend in Madeira that people are quite active now as opposed to, before they used to stay in a hotel and not do too much. [...] Right now they're quite active going around the island."

On the other hand, innovation is brought to the island by establishing new businesses in Madeira's tourism industry that provide entirely new experiences for tourists, particularly, for niche markets and diversified audiences. Based on the data provided by the respondents, new accommodation concepts like co-living and glamping are emerging, catering to different customer preferences. One respondent shares his opinion that these concepts "...are great in terms of storytelling and in terms of visuals, so they definitely have helped to bring another type of clients because people identify themselves with these kinds of products."

Besides bringing new products and services to the market, some responses confirm the trend of business development in terms of new departments or new business branches and divisions. As mentioned before, new hotel concepts are being developed, and another example of this is the NEXT Hotel, a hotel from the Savoy Signature that is, as mentioned by Respondent 10, a more "digital and younger hotel". Hotels are reportedly "changing the values of the company" and "implementing new departments [...] such as sustainability, social health". According to Respondent 11, "They (the hotel chain) are more and more aware of these trends and it is a big need (to cater to those trends)". Respondent 1, on the other hand, explains that his hospitality business, which pioneers in speciality coffee and brunch and leverages the arrival of new trendy customers, is expanding by opening a branch in a new location:

*"We started with it (the new trend) and we are developing with the industry. Now we are opening a second place which will be more developed like Art Food Corner grande, with a more developed kitchen menu and we will try to attract our already loyal customers..."*

Another aspect of adaptation capabilities appears to be improvements in product quality. As indicated in the responses, some more traditional businesses “don’t change but get better” and “invest in their conditions to host people with more difficult requests”. This shows the commitment of some tourism organizations to improve their conditions and rejuvenate without necessarily repositioning their target. Consequently, one respondent concludes that in their organization, “...we just need to open our doors and to be more focused on what we actually offer to the people”.

Amending the promotion strategy and integrating customer centricity are two significant ways of marketing adaptation demonstrated by many of the companies the respondents represent. In terms of promotion alterations, respondents are implementing various activities depending on their business. For instance, several of the interviewees mention utilizing the power of social media based on the customer profile they would like to target:

*"For instance, we know that social media, it's on the top of mind for most of the people...But probably these other profiles (of younger segments), they have Instagram, or they have TikTok or they have some other social media or even they read on LinkedIn. [...] And so, we're trying to adapt everything to our customer's profile." (Respondent 10)*

A respondent from the hospitality industry also stresses the importance of tone of voice usage, and how that was adapted after new segments of customers such as solo travelers, digital nomads, and young families starting coming in. They explain that a more formal type of communication is being used in more traditional hotels, while in another “younger and digital” hotel, the tone of voice is “pretty different”.

These adjustments in the communication strategy also highlight customer-centricity within organizations. Some of the respondents emphasize the importance of addressing sensitive touchpoints, aligning actions with customer-centric values, providing updated information, and responding to customer preferences and feedback. The crucial role of a customer-centric mindset is underlined by a respondent:

*"...It's all about customer centricity, and not only about saying 'we are customer centric', but being, believing, and behaving like that. And what we do is through customer design or service design, we are thinking all the time how the customer is feeling, and not only the customer that we have right now, [...] but how the customer that we want to attract could feel, and that's the way we are working continually now, it's a never-ending journey..." (Respondent 10)*

It becomes evident that the organization needs to continually consider the experiences of both existing and potential customers. This mindset requires ongoing effort and a commitment to improving customer-centricity. Other respondents give special importance to responsiveness to customer feedback and preferences. An interviewee gives an example from their organization where by recognizing that certain customers, particularly younger generations, felt uncomfortable with the smell and sight of fresh flowers that wither over time, the organization proactively decided to change the flowers. This adaptation demonstrates a commitment to understanding and meeting the evolving needs and desires of different customer segments. In regards to focusing on customer experience touchpoints, another respondent concludes:

*"As you start touching these touchpoints that are sensitive to them, then they kind of look at you in a different way and they want to take the journey with you as well." (Respondent 9)*

An important innovation capability acknowledged by the majority of the interviewees concerns the digitisation of products, services, or business processes. Some responses show considerable and extensive digitisation efforts within tourism companies in Madeira. Examples of digital solutions include “making information accessible online”, integrating “online check-ins”, “autonomous check-in”, “chatbots for reservations and bookings”, “virtual concierge”, and “other innovations to cater to customer needs.” A respondent concludes this proactive digital innovation approach: “We have to create or innovate in order to answer those needs.”

Other companies have demonstrated a commitment to modernizing internal operations to enhance efficiency and accuracy:

*“Now everything is digital. We use less and less paper. Everything we do is on apps, from HR processes like checking in and out of shifts to managing reviews and room cleaning. The rooms have QR codes, and the cleaning team uses smartphones to check in and track their progress. This enables metrics and reduces the possibility of mistakes.”*

When it comes to adaptation, the final capability discussed by the respondents is the ability to follow the lead of others. The results underscore the efforts of Madeiran businesses to implement ideas and trends from more modern countries to differentiate and attract a new segment of tourists. Respondent 1 explains that their organization is following the examples of Scandinavian and English-speaking countries in terms of coffee quality and coffee shop trends. The focus appears to be on adapting existing trends rather than creating entirely new concepts. This approach allows Madeiran companies to leverage the success of other regions while bringing novelty to their own business environment.

However, it is worth mentioning that the responses form a potential challenge in Madeira's adoption of new practices or trends. Several respondents share a concern regarding the adaptation process being too slow, and the still prominent resistance to change. It is suggested that while there is some level of imitation among local businesses, the adaptation process is slow and lacks a genuine belief in the value or purpose behind the adopted practices:

*“The adaptation is still very slow. Yes, they copy each other. They don't do something because they believe in it. Yes, they might be selling something to you. But they don't know why, they don't even consume it themselves. In hospitality, and the food industry, examples are specialty coffee and sourdough bread. [...] They are changing because of the oppression and the customer pressure. [...] I believe that the guys (some traditional businesses) will still resist if they still have some people going there and buying what they sell. But other businesses will be more profitable. So they will look to the side and they will see that they'll have to change.”* (Respondent 3)

In conclusion, the empirical results highlight the significance of adaptation and innovation in developing dynamic capabilities within the tourism industry of Madeira. The respondents emphasize the need to diversify their offerings, improve product quality, and introduce new services to attract a younger audience. Additionally, the integration of digital solutions and the digitization of processes are recognized as crucial for enhancing efficiency and meeting customer demands. However, the data also reveals that the adaptation process in Madeira's tourism industry is relatively slow. Nonetheless, the efforts towards adaptation and innovation demonstrate the dynamic capabilities necessary for rejuvenating Madeira Island as a tourist destination.

### 5.3.3 Expertise and knowledge cultivation

One way of utilizing knowledge and expertise to rejuvenate Madeira Island as a tourist destination is, according to the data, identifying new trends and leveraging them. A few of the respondents shed light on the changing preferences and behaviors of customers, which highlights the importance of recognizing emerging trends. Respondent 3 gives an example of the trend of changes in lifestyle during and after COVID-19, which caused a surge in remote workers looking for suitable locations to combine work and tourist leisure activities. Other examples include individualistic travel preferences and the demand for seamless experiences, which are exemplified by the two quotes below:

*“People are more and more individualistic when they travel. So, they want to have their own car, they want to have their own, you know, experience and all this.”* (Respondent 9)

*“...What we realized is that millennials, and younger people, want a seamless experience. I mean, sometimes the customer doesn't want to speak with anyone, they don't want to do a check-in, and they don't want to have a very long talk with someone, they want to do everything by themselves.”* – (Respondent 10)

Respondents also mention the significance of WOM (word-of-mouth) marketing facilitated by social media and personal connections. The responses suggest that businesses can leverage the positive experiences of customers, especially digital nomads, who share their stories and recommendations about a destination or service.

*“...people are consuming their own friends, media, instead of big governments and magazines and travel agencies...And the connections and the trust will never be the same as your friends”* – (Respondent 3)

*“We invite a lot of young people every year and that has a good impact (on the business) because when they go back, they bring stories about Madeira and how beautiful it is. And then their friends, their family also start to think about visiting Madeira.”* (Respondent 4)

By capitalizing on this (e)-WOM momentum, companies can enhance their reputation and attract more visitors or customers.

Another way a local hotel chain acquired knowledge during this process was through the use of BI (business intelligence) tools to gather market information and make data-driven decisions. Respondent 11 shares that they employ analytics technology “that makes reports, sees how the markets are behaving” and that they “need to adapt and adjust” in terms of business and marketing strategies.

Besides leveraging on the new trends, the data revealed that tourism organizations in Madeira also foresee and prepare for potential business challenges. This was considered to be an important knowledge and expertise capability. Both Respondent 1 and Respondent 5, from the perspectives of small tourism companies, share their concerns regarding some issues they are likely to encounter in the destination rejuvenation process:

*“Unfortunately, we have a weak point here in Madeira, like most of the small businesses, and this is logistic issues. Since we are very dependent on how logistics work. And since we are making a speciality coffee, we need to have this coffee very fresh.” – Respondent 1*

*“So this is the biggest issue that we have, especially for small companies like ours. So we do almost everything by ourselves. And there is no way we can reply sometimes to everybody. And we also like to have our free time with our family. And nowadays, people send emails at all times, and they expect you to write a reply to them at the same time, so within 510 minutes, and otherwise, they have already lost their arranger. So that's how it works.” (Respondent 5)*

An interesting insight arising from the data, was the notion of the “outsider perspective” and the knowledge and expertise that it brings. This becomes evident in several of the interviews, where respondents mention that business innovation and understanding of the needs of the new tourist audiences is mostly possible by individuals who have lived outside the island and acquired a different perspective. Respondent 3 argues that “you need to leave the island to see the island”. They elaborate:

*“And the new generation of people doing new kinds of businesses were the ones that had to be out of the island for a while...if you go away, you see things differently. And then you come back. And you might do business in a different way.”*

Respondent 2 echoes this idea by suggesting that internal expertise can be broadened by actively seeking input from people outside the organization or industry:

*“It was Gonzalo (talking to restaurant owners) because as a digital nomad it was easier trying to pass along the message. He said that usually when traveling and working, he noticed that people actually wanted lattes with oat milk and avocado toasts, having more vegetarian options.”*

Overall, the results highlight the importance of cultivating internal expertise and knowledge by embracing outsider perspectives, utilizing business intelligence, identifying new trends and business opportunities, capitalizing on (e)-WOM momentum, and foreseeing challenges. According to the responses, by identifying and understanding these knowledge and expertise capabilities, businesses can adapt their offerings and tailor their services to meet evolving customer expectations.

## 6. Discussion

*The purpose of this chapter is to articulate the key findings of this research. The discussion will seek to compare the findings of this research against previous theories mentioned in the literature review chapter. This will allow the researchers to identify possible affirmative, contradicting and previously unprecedented findings. Furthermore, this chapter will present an updated version of the Figure 1 framework, taking into account the findings from the data analysis (Figure 2).*

The aim of this study was to understand how dynamic capabilities enable repositioning and diversification to rejuvenate Madeira Island as a tourist destination. The theoretical framework conducted for this study identified three theories from the literature that will function as a base for comparison in this chapter: destination rejuvenation, dynamic capabilities and destination transformation (repositioning and diversification). The analysis of the primary data identified two main themes that are broken down into detailed capabilities enabling the rejuvenation of Madeira Island. First, destination capabilities, consist of three categories: local identity distinction, natural resources utilization and governmental facilitation. Second, entrepreneurial capabilities consist of three categories: collaboration and integration development, adaptation and innovation facilitation, and internal expertise cultivation.

Looking back at the theory surrounding dynamic capabilities, it is becoming increasingly unequivocal that two types of capabilities need to be considered. Hence, the analysis divided them into destination capabilities and entrepreneurial capabilities to investigate how the capabilities are facilitating rejuvenation from the viewpoint of various stakeholders. Furthermore, the analysis revealed an important insight, which is that capabilities are intertwined with one another and can not exist by themselves. For example, the capabilities within the local identity distinction ‘diverse nature preservation’ and ‘mass tourism regulation’, are interconnected, because one is not able to preserve nature without regulating mass tourism. Similarly, mass tourism cannot be regulated without the governmental capability of ‘imposing regulations’. As stated in the literature review, Wang and Ahmed (2007), three shared elements which reflect dynamic capabilities across various companies which may be used in future studies: adaptive, absorptive and innovative capabilities. These capabilities were formulated for entrepreneurial uses. The entrepreneurial capabilities were formulated in this study to expand on the existing dynamic capabilities from previous literature (Wang & Ahmed, 2007), to include capabilities affecting tourist destinations. First, the collaboration and integration development reflect destinations' innovative capabilities. Second, adaptation and innovation facilitation which goes hand in hand with adaptive capabilities. Third, internal expertise cultivation is parallel in their meaning to absorptive capabilities.

However, because dynamic capabilities have not been considered from the perspective of a destination previously, the destination capabilities formulated in this research are the main contribution of this research. Making it possible to consider the capabilities of various destinations in future research.

In terms of rejuvenation and the TALC model, this study has confirmed a number of previously stated statements. Confirming the criticism presented by Agarwal (1994) of the TALC model and the findings of the study by Almeida and Correia (2010), the multilayered approach of the

Madeiran local authorities to reimagine the island and the number of industries that are included in this process, confirms that a destination can not be viewed as a singular entity, but rather as a collection of various factors such as hotels, promotional association etc. Similarly, rejuvenation by itself is not solely a quick way to change a destination, but an intricate and multifaceted process that is heavily dependent on outside factors (Faulkner, 2002). Upon conducting the interviews, it was confirmed that the timeline of initiating the rejuvenation process does not indicate that Madeira Island saw a decline. Although the COVID-19 pandemic accelerated this process through increased awareness of the island due to the green light status and remote working, the rejuvenation process did not commence according to the traditional order of the TALC model. Thus, this is in line with the findings by Hovinen (2002) who argues that different tourism sectors can be at a different stage simultaneously.

Madeira is a small island, and the analysis showed that the local government and many local entrepreneurs are attempting to implement new strategies and adapt their products to diversify their target market. However, the island still has a lot of resistance from the local population to change and adapt and especially to consume the newly adapted offerings. Local entrepreneurs do not see the need to change nor is there pressure to change as the main tourist segment remains the same. Overcoming resistance to change and fostering a genuine belief in adopting new trends remain ongoing challenges for the Madeiran tourism industry. The study by Hovinen (2002) and the TALC model, are relevant here as it can be observed that some businesses in Madeira Island are in stagnation due to the resistance, whilst others are rapidly moving forward by adapting their products and services and introducing innovations. Nonetheless, the resistance to change by some local entrepreneurs could be viewed as a way to balance the tourist segments and keep accommodating the traditional tourist segment without directly removing the lucrative traditional offering, as it could be viewed as discriminatory. Furthermore, the data clearly demonstrated that the strategy of Madeira Island is to retain and attract. This statement complements the study by Xu, Yu & Zhou (2022) where the findings indicate that rejuvenation strategies need to take into consideration the needs and preferences of the dominant market segment. The aforementioned argument also contradicts and challenges the notion by Cooper (1992) who argues that rejuvenation can occur only if the destination is fully reinvented and reimaged.

It is clear that Madeira Island is implementing numerous destination transformation strategies. As seen in the responses, the local government is the facilitator of all projects and communications. Some of the projects that have been implemented in recent years are the introduction of Madeira's new destination brand in 2021, the creation of a Manual of Good Practices in the tourism sector and the introduction of certifications of Good Practices against biological risks in both private and public companies.

The communication of Madeira Island has seen significant changes in the way it is presented. The data shows that multiple respondents noticed an increase in social media marketing and influencer marketing. In terms of diversification, the island started to promote more nature-based activities that were not previously promoted to such an extent and introduced the Madeira Ocean & Trail concept that promotes various mountain and sea activities such as hiking, surfing and whale watching. On an entrepreneurial level, Madeira Island has seen an unprecedented development of communal events for digital nomads, the introduction of product adaptations to accommodate digital nomads and the underlining of the importance of sustainable tourism. These results support the previous literature which argues that diversification is a process which

emphasizes the exploration and development of previously unexplored natural, cultural and built resources (Agarwal, 2002; Claver-Cortés et al. 2007; Curtis, 1997).

The literature that discusses repositioning as a concept connects the need for repositioning with the decline of a destination (Agarwal, 2002). In the case of Madeira Island, the repositioning was commenced in order to reach a broader market in the time of the COVID-19 pandemic. The analysis of the data made the assumption stemming from the data which argues that the repositioning in Madeira Island was accelerated to avoid a decline due to the infrequent travels of the traditional market. Consequently, Madeira Island managed to avoid a direct decline by introducing mitigating measures by taking proactive measures of safety during COVID-19 and thereby attracting a new previously unaware Madeira Island tourist segment that subsequently remained interested after the pandemic.

For a long period of time Madeira Island has not seen much change (Almeida & Correia, 2010), thus when the rejuvenation process started, the island became an avid consumer of various innovations, both technological and in terms of expertise. According to the analysis and the responses of the local entrepreneurs, Madeira Island is somewhat behind the times in terms of innovation and therefore it is currently the perfect location for rejuvenation. The innovations that already have been exhausted in other locations are only being implemented and their effectiveness can bring new life to the island.

To summarize the findings of the analysis and solidify the discussion chapter, an updated version of the theoretical framework was designed. This framework specifically underpins the interconnectivity of the repositioning and diversification components, as well as destination and entrepreneurial capabilities. Thereby, it demonstrates the symbiosis-type nature of the tourism industry of Madeira Island which collectively contributes to the core that is destination rejuvenation.

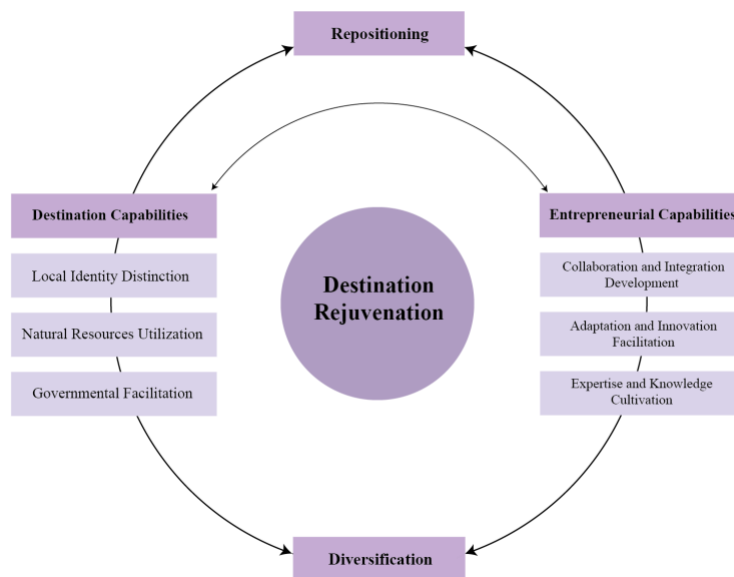


Figure 2. The dynamic capabilities facilitating destination rejuvenation of Madeira Island



# 7. Conclusion

*The main findings of this study will be encapsulated in this chapter by answering the research question. Furthermore, the chapter will outline the practical implications as well as the managerial recommendations. Finally, this chapter will acknowledge some of the research limitations and give an overview of future research suggestions.*

## 7.1. Main Findings

The main aim of this study was to identify the dynamic capabilities that enable the repositioning and diversification of Madeira Island and to investigate in what ways they contribute to the rejuvenation of the tourist destination. The analysis of primary data identified two main themes: destination capabilities and entrepreneurial capabilities. The findings suggest that fostering collaboration and integration, facilitating adaptation and innovation, and cultivating internal expertise are crucial for destinations aiming to reposition and diversify. Additionally, the study emphasizes the significance of preserving local identity, utilizing natural resources sustainably, and facilitating governmental support for successful destination rejuvenation. These capabilities intertwine with each other and cannot exist in isolation, highlighting their interconnectedness and confirming the criticism of the TALC model from Agarwal (1994), stating that a destination should not be perceived as a singular entity, but rather as a multitude of diverse factors and actors, including local tourism companies, governmental associations and promotional associations.

## 7.2. Practical Implications

The findings of this study have several practical implications for destination managers and policymakers, offering valuable directions to enhance destination dynamic capabilities and promote the development and integration of entrepreneurial capabilities within the tourism organizations of a destination. Ultimately, it underscores the ways, in which professionals can utilize the results to enhance destination rejuvenation and diversification efforts.

Firstly, the study emphasizes the importance of perceiving destination rejuvenation as a holistic process composed of various interconnected parts. This understanding helps destination managers identify any missing links or weak areas in the rejuvenation process more easily. For instance, managers may recognize a lack of innovation capabilities, such as "embracing an outsider perspective." Armed with this knowledge, they can allocate resources to attract external expertise and foster innovation within the destination.

The study encourages collaboration and synergy-building among different parts of the destination. By recognizing the interdependencies and interconnectedness of various stakeholders, destination managers can foster partnerships and cooperative networks. This collaboration can lead to the exchange of knowledge, resources, and best practices, ultimately contributing to the overall rejuvenation efforts.

Additionally, the study provides an overview of the factors that influence the development of dynamic and entrepreneurial capabilities in a destination. It sheds light on the challenges that may arise in the process, such as resistance to change, as observed in the case of Madeira Island.

Awareness of these challenges enables destination managers to proactively address them and develop strategies to overcome resistance to change, facilitating a smoother rejuvenation process.

Furthermore, the study serves as a practical example for destination managers outside of Madeira. It offers insights into how rejuvenation efforts can be stimulated at both the overall destination level and the individual tourism company level. Managers in other destinations can draw inspiration and learn from the experiences of Madeira Island, adapting successful strategies and approaches to their own contexts.

In summary, the practical implications of this study, direct destination managers and policymakers towards nurturing and investing in dynamic capabilities, promoting the development of entrepreneurial capabilities, fostering collaboration and synergy, and addressing challenges in the rejuvenation process. It also provides a practical example that can guide managers outside of Madeira in their own rejuvenation endeavours. By applying these implications, professionals can facilitate meaningful changes and improvements in their respective destinations, ultimately leading to successful destination rejuvenation.

### 7.3. Managerial Recommendations

One of the concluding remarks of this research is the outline of a number of managerial recommendations that could prove themselves useful for the stakeholders within the tourism industry of Madeira Island as well as for destination managers, policymakers, and other stakeholders involved in the rejuvenation and diversification of destinations.

As noted earlier, the tourism industry depends on many factors and stakeholders. It consists of multiple sectors that contribute equally to the attractiveness and hospitality of the destination. Madeira Island is no different. After discussing the topic of rejuvenation with various local entrepreneurs and local authorities, the authors gained a number of valuable insights. The first recommendation is that there should be more collaboration between various stakeholders on Madeira Island. The initiative could potentially derive from the local authorities to develop collaboration between field experts that would contribute with expertise and knowledge. This would allow the local authorities to take into account the concerns and suggestions of the local entrepreneurs, whilst simultaneously obtaining sector-specific information which could promote the distribution of innovative expertise.

Because there are clear signs that change is not always welcome in Madeira Island and many entrepreneurs would rather continue with the offerings that stood the test of time, more emphasis should be aimed at overcoming the resistance to change and fostering a genuine belief in adopting new trends. Increased communication from the local authorities to the local entrepreneurs could explain the significance of adapting to new markets, consequently distributing consistent communication to all stakeholders in the tourism sector.

The process of rejuvenation can be a difficult process and diversifying tourist segments can be challenging. The third recommendation, which has been emphasized to a large extent in the data, is for the local stakeholders to learn how to balance the tourist segments. One could say that Madeira Island is somewhat torn between identities as a result of an extensive rebranding scheme. From one point of view, it is still a remote island for affluent over 50s to relax and heal,

on the other hand, it is an island where every day is filled with action and adventure. Therefore, it is important for the local authorities to make sure that those who have traditionally travelled to Madeira are aware of the fact that they are still welcome, whilst giving a window of opportunity to the new segments to discover the island.

The final recommendation is largely related to social media marketing which has been a popular way to promote the destination. Madeira Island is quite small and the data showed that the majority of the responders were concerned about the possible outcome if mass tourism hit the island. This is especially relevant when taking into consideration the nature of social media, which is known for making content spread around the globe or as we nowadays say ‘go viral’ with the speed of light. Numerous studies have been aimed at exploring the effects of social media on remote ‘hidden gem’ destinations becoming a hit of the internet, only for it to be significantly damaged due to an uncontrollable influx of tourists (Jansson, 2018; Purwani et al. 2020; Siegel et al. 2023). For this reason, the final recommendation is for the local authorities to in due time start preparing a strategy to regulate the number of tourists in Madeira Island to avoid potentially irreversible damage to the ecosystem of the island and loss of uniqueness that is so treasured by the local entrepreneurs.

#### 7.4. Research Limitations

While this study provides valuable insights into the rejuvenation of Madeira Island as a tourist destination, it is important to acknowledge its limitations. Firstly, due to time constraints, this study is of a cross-sectional nature. Therefore, the authors are not able to observe the potential rejuvenation phenomenon over a longer period of time.

Secondly, the study relied on primary data collected through interviews. Although interviews can provide deep and insightful insights, additional data collection methods like surveys could provide data from a potentially bigger sample of participants, and ensure against biases and limited perspectives. Including additional data sources and employing quantitative methods could also enhance the robustness of future studies.

Another limitation due to time constraints, which complicates analysis and the ability to reach saturation, is the small-scale number of interviews conducted for this study. Essentially, this could be a potential threat to the credibility of the findings. Furthermore, one of the participants opted to answer the questions in written form which could be a threat to credibility as the answers could be subject to participant bias. The aforementioned limitation presents the risks of limited clarification, the potential for misinterpretation and the lack of non-verbal cues.

The final limitation of the research is that the potential rejuvenation process in Madeira Island is time-dependent and in the future, the same method might not be appropriate, which can significantly affect the transferability.

#### 7.5. Future Research

This study opens up avenues for future research on dynamic capabilities and destination rejuvenation. Further investigations could explore the applicability of destination capabilities in different contexts and assess their impact on tourism outcomes. Additionally, conducting comparative studies across multiple destinations would enable a better understanding of the

factors influencing successful rejuvenation efforts. The research focused solely on Madeira Island, limiting the generalizability of the findings to other destinations. Future research should explore similar dynamics in different contexts to validate and expand upon these findings.

Future research could also explore the role of technological advancements and digital transformation in destination rejuvenation, as well as the long-term sustainability implications of such processes. Finally, investigating the evolving dynamics of destination rejuvenation post-pandemic and its effects on tourist behavior and preferences would provide valuable insights for destination managers and policymakers.

In conclusion, this study highlights the importance of dynamic capabilities, specifically destination capabilities and entrepreneurial capabilities, in the rejuvenation of Madeira Island as a tourist destination. The findings contribute to the existing literature by expanding the understanding of dynamic capabilities in the context of destinations and providing practical implications for destination managers. While the study has its limitations, it lays the groundwork for future research to further explore the complexities of destination rejuvenation and the role of dynamic capabilities in facilitating successful transformations. By embracing these findings and recommendations, destinations can enhance their ability to adapt, innovate, and attract diverse market segments, ultimately ensuring their long-term sustainability and competitiveness in the tourism industry.

# References

Abel, A. (2022). Madeira's Metamorphosis: The Island Gets Cool and Beckons Food Lovers, *Forbes*, Available online: <https://www.forbes.com/sites/annabel/2022/08/25/madeiras-metamorphosis-the-island-gets-cool-and-beckons-food-lovers/> [Accessed 30 May 2023]

Agarwal, S. (1994) The resort cycle revisited: Implications for resorts. In C.P. Cooper and A. Lockwood (eds) *Progress in Tourism, Recreation and Hospitality Management* (Vol.5, pp. 194/208).

Agarwal, S. (1999). Restructuring and Local Economic Development: Implications for Seaside Resort Regeneration in Southwest Britain, *Tourism Management*, vol. 20, no. 4, pp.511–522, Available online: <https://www.sciencedirect.com/science/article/pii/S0261517799000047> [Accessed 8 April 2023]

Agarwal, S. (2002). Restructuring Seaside Tourism: The Resort Lifecycle, *Annals of Tourism Research*, vol. 29, no. 1, pp.25–55, Available online: <https://www.sciencedirect.com/science/article/pii/S0160738301000020> [Accessed 8 April 2023]

Aitken, J., Childerhouse, P., & Towill, D. (2003). The impact of product life cycle on supply chain strategy. *International Journal of Production Economics*, 85(2), 127-140. Available online: [https://doi.org/10.1016/S0925-5273\(03\)00105-1](https://doi.org/10.1016/S0925-5273(03)00105-1) [Accessed 10 May 2023]

Almeida, A. & Correia, A. (2010). Tourism Development in Madeira: An Analysis Based on the Life Cycle Approach, *Tourism Economics*, vol. 16, no. 2, pp.427–441, Available online: <https://journals.sagepub.com/doi/pdf/10.5367/000000010791305644> [Accessed 8 April 2023]

Anthony di Benedetto, C. & Bojanic, D. C. (1993). Tourism Area Life Cycle Extensions, *Annals of Tourism Research*, vol. 20, no. 3, pp.557–570, Available online: <https://www.sciencedirect.com/science/article/pii/016073839390009R> [Accessed 26 May 2023]

Baixinho, A., Santos, C., Couto, G. & Albergaria, I. S. de. (2023). Sustainable Creative Tourism on Islands and the Pandemic: The Creatour Azores Project, *Island Studies Journal*, pp.1–23, Available online: <https://repositorio.uac.pt/handle/10400.3/6692> [Accessed 10 April 2023]

Baloglu, S. & McCleary, K. W. (1999). A Model of Destination Image Formation, *Annals of Tourism Research*, vol. 26, no. 4, pp.868–897, Available online: [https://www.sciencedirect.com/science/article/pii/S0160738399000304?casa\\_token=QDsO48pp4nsAAAAA:E6ijFWeTN8zxlyg1G2BebepGOTnIeWLIAPOXIOT2pW38dTu4yodjdc9RTTj8TqmnDDPvBD2-Ptk](https://www.sciencedirect.com/science/article/pii/S0160738399000304?casa_token=QDsO48pp4nsAAAAA:E6ijFWeTN8zxlyg1G2BebepGOTnIeWLIAPOXIOT2pW38dTu4yodjdc9RTTj8TqmnDDPvBD2-Ptk) [Accessed 10 April 2023]

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage, *Journal of Management*, vol. 17, no. 1, Available online:

[https://josephmahoney.web.illinois.edu/BA545\\_Fall%202022/Barney%20\(1991\).pdf](https://josephmahoney.web.illinois.edu/BA545_Fall%202022/Barney%20(1991).pdf) [Accessed 13 April 2023]

Bhandari, P. (2022). A Guide to Ethical Considerations in Research, *Scribbr*, Available online: <https://www.scribbr.com/methodology/research-ethics/> [Accessed 30 May 2023]

Bhaskara, G. I., Filimonau, V., Wijaya, N. M. S. & Suryasih, I. A. (2023). Innovation and Creativity in a Time of Crisis: A Perspective of Small Tourism Enterprises from an Emerging Destination, *Journal of Travel Research*, Available Online: [https://www.sciencedirect.com/science/article/pii/S2211973623000211?casa\\_token=wVMAMbE3XJwAAAAA:LIJ1Cxbc5WCXWQcjkMafuXw-OotHoiQEWXKVMUdwibWsiEkovMDq1qyZDc1ln\\_rieUi8nF10n0U](https://www.sciencedirect.com/science/article/pii/S2211973623000211?casa_token=wVMAMbE3XJwAAAAA:LIJ1Cxbc5WCXWQcjkMafuXw-OotHoiQEWXKVMUdwibWsiEkovMDq1qyZDc1ln_rieUi8nF10n0U) [Accessed 14 April 2023]

Birkinshaw, J. & Gibson, C. (2004). Building Ambidexterity into an Organization, *MIT Sloan Management Review*, Available online: <https://sloanreview.mit.edu/article/building-ambidexterity-into-an-organization/> [Accessed 8 April 2023]

Boivin, M. & Tanguay, G. A. (2019). Analysis of the Determinants of Urban Tourism Attractiveness: The Case of Québec City and Bordeaux, *Journal of Destination Marketing & Management*, vol. 11, pp.67–79, Available online: <https://www.sciencedirect.com/science/article/pii/S2212571X16303560> [Accessed 13 April 2023]

Botha, C., Crompton, J. L. & Kim, S.-S. (1999). Developing a Revised Competitive Position for Sun/Lost City, South Africa, *Journal of Travel Research*, vol. 37, no. 4, pp.341–352

Bujosa, A., Riera, A. & Pons, P. J. (2015). Sun-And-Beach Tourism and the Importance of Intra-Destination Movements in Mature Destinations, *Tourism Geographies*, vol. 17, no. 5, pp.780–794, Available online: <https://www.tandfonline.com/ludwig.lub.lu.se/doi/pdf/10.1080/14616688.2015.1093538> [Accessed 13 April 2023]

Butler, R. (2022). COVID-19 and Its Potential Impact on Stages of Tourist Destination Development, *Current Issues in Tourism*, vol. 25, no. 10, pp.1682–1695, Available online: <https://www.tandfonline.com/doi/full/10.1080/13683500.2021.1990223> [Accessed 12 April 2023]

Butler, R. W. (2006). The Tourism Area Life Cycle, Vol. 1 Applications and Modifications, Cromwell Press, Available through: [https://www.researchgate.net/publication/242256904\\_Residents%27\\_Perceptions\\_of\\_Tourism\\_Development\\_Over\\_the\\_Early\\_Stages\\_of\\_the\\_TALC](https://www.researchgate.net/publication/242256904_Residents%27_Perceptions_of_Tourism_Development_Over_the_Early_Stages_of_the_TALC) [Accessed 1 April 2023]

- Butler, R.W. (1980) The concept of a tourist area cycle of evolution: Implications for management of resources. *Canadian Geographer* 24 (1), 5/12
- Cadiz, D., Sawyer, J. E. & Griffith, T. L. (2009). Developing and Validating Field Measurement Scales for Absorptive Capacity and Experienced Community of Practice, *Educational and Psychological Measurement*, vol. 69, no. 6, pp.1035–1058
- Carson, D. (2014). Around the world in 55 years: lessons from other meetings of northern scholars. *Thriving Northern Communities*, Storuman, Sweden
- Chacko, H. E. & Marcell, M. H. (2008). Repositioning a Tourism Destination, *Journal of Travel & Tourism Marketing*, vol. 23, no. 2-4, pp.223–235, Available online: [https://www-tandfonline-com.ludwig.lub.lu.se/doi/pdf/10.1300/J073v23n02\\_17](https://www-tandfonline-com.ludwig.lub.lu.se/doi/pdf/10.1300/J073v23n02_17) [Accessed 7 April 2023]
- Chapman, A. & Speake, J. (2011). Regeneration in a Mass-Tourism Resort: The Changing Fortunes of Bugibba, Malta, *Tourism Management*, vol. 32, no. 3, pp.482–491, Available online: <https://doi.org/10.1016/j.tourman.2010.03.016> [Accessed 13 April 2023]
- Clark, G. (2006). In City marketing and economic development. *Paper presented at the international city marketing Summit, Madrid, Spain, November* (p. 1-81)
- Claver-Cortés, E., Molina-Azorín, J. F. & Pereira-Moliner, J. (2007). Competitiveness in Mass Tourism, *Annals of Tourism Research*, vol. 34, no. 3, pp.727–745, Available online: <https://www-sciencedirect-com.ludwig.lub.lu.se/science/article/pii/S0160738307000448?via%3Dihub> [Accessed 13 April 2023]
- Cohen, W. M. & Levinthal, D. A. (1990). Absorptive Capacity: A New Perspective on Learning and Innovation, *Administrative Science Quarterly*, vol. 35, no. 1, pp.128–152, Available online: [https://www.jstor.org/stable/pdf/2393553.pdf?casa\\_token=AIx1WRAw9OwAAAAA:bvT9xEYIWa6eZQ09N8syqgZj\\_MSG8KHnulgw6bTQ0ELD6qnvB-ILapjlsQSD4fEJ7Gz2m3cJx50rK6cyCtnAvZmOnL7nHj0Ev649TIpJ-am4bKuABZa3](https://www.jstor.org/stable/pdf/2393553.pdf?casa_token=AIx1WRAw9OwAAAAA:bvT9xEYIWa6eZQ09N8syqgZj_MSG8KHnulgw6bTQ0ELD6qnvB-ILapjlsQSD4fEJ7Gz2m3cJx50rK6cyCtnAvZmOnL7nHj0Ev649TIpJ-am4bKuABZa3) [Accessed 14 April 2023]
- Cooper, C. (1992). The Life Cycle Concept and Strategic Planning for Coastal Resorts, *Built Environment (1978-)*, vol. 18, no. 1, pp.57–66, Available online: <https://www.jstor.org/stable/23287842> [Accessed 28 April 2023]
- Crompton, J. L., Fakeye, P. C. & Lue, C.-C. (1992). Positioning: The Example of the Lower Rio Grande Valley in the Winter Long Stay Destination Market, *Journal of Travel Research*, vol. 31, no. 2, pp.20–26, Available online: [https://journals.sagepub.com/doi/pdf/10.1177/004728759203100204?casa\\_token=DYpnW33CE](https://journals.sagepub.com/doi/pdf/10.1177/004728759203100204?casa_token=DYpnW33CE)

uIAAAAA:Vk47JadVvvKVv21kkCSQFm4U9\_\_uzyC4TGpAVQBCC3W577rIm3cGlmXauwTdf4J9BS-Kql7Gcv2LVw [Accessed 30 May 2023]

Curtis, S. (1997). Seaside Resorts: Spanish Progress and British Malaise, *Insights (C9Á/18)*, London: British Tourist Authority/English Tourist Board

Danneels, E. (2002). The Dynamics of Product Innovation and Firm Competences, *Strategic Management Journal*, vol. 23, no. 12, pp.1095–1121, Available online: <https://www.jstor.org/stable/3094297> [Accessed 13 April 2023]

de Almeida, A.M.M., Machado, L.P. (2019). *Madeira Island: Tourism, Natural Disasters and Destination Image*. In: Sequeira, T., Reis, L. (eds) Climate Change and Global Development. Contributions to Economics. Springer, Cham. Available online: [https://doi-org.ludwig.lub.lu.se/10.1007/978-3-030-02662-2\\_14](https://doi-org.ludwig.lub.lu.se/10.1007/978-3-030-02662-2_14) [Accessed 30 May 2023]

Deeds, D. L., Decarolis, D. & Coombs, J. (2000). Dynamic Capabilities and New Product Development in High Technology Ventures, *Journal of Business Venturing*, vol. 15, no. 3, pp.211–229, Available online: [https://www.sciencedirect.com/science/article/abs/pii/S0883902698000135?casa\\_token=qSK43DTI52EAAAAA:F9HMyv-3k9zjNABihnPKwQ7gUombXSu\\_gEZQwaHKYtO4DcDG5xSVO6grTgLQmN4t495ogYf\\_jQ](https://www.sciencedirect.com/science/article/abs/pii/S0883902698000135?casa_token=qSK43DTI52EAAAAA:F9HMyv-3k9zjNABihnPKwQ7gUombXSu_gEZQwaHKYtO4DcDG5xSVO6grTgLQmN4t495ogYf_jQ) [Accessed 10 April 2023]

Diener, E., & Crandall, R. (1978). *Ethics in social and behavioral research*. U Chicago Press.

Dogra, J. & Karri, V. R. S. (2021). Prominence of Organic Image in Tourist Destinations: Indian Leisure Tourism Narrative, *International Journal of Culture, Tourism and Hospitality Research*, vol. 15, no. 4, pp.565–579, Available online: <https://www.emerald.com/insight/content/doi/10.1108/IJCTHR-06-2020-0133/full/html> [Accessed 12 April 2023]

Dolnicar, S. & Grün, B. (2012). Validly Measuring Destination Image in Survey Studies, *Journal of Travel Research*, vol. 52, no. 1, pp.3–14, Available online: <https://journals.sagepub.com/doi/10.1177/0047287512457267> [Accessed 8 April 2023]

Douglas, N. (1997). Applying the Life Cycle Model to Melanesia, *Annals of Tourism Research*, vol. 24, no. 1, pp.1–22, Available online: <https://www-sciencedirect-com.ludwig.lub.lu.se/science/article/pii/S0160738396000114?via%3Dihub> [Accessed 6 April 2023]

Easterby-Smith, M., Jasperson, L. J. & Thorpe, R. (2021). *Management and Business Research*, London: SAGE



Echtner, C. M. & Ritchie, J. R. B. (1993). The Measurement of Destination Image: An Empirical Assessment, *Journal of Travel Research*, vol. 31, no. 4, pp.3–13, Available online: <https://journals.sagepub.com/doi/abs/10.1177/004728759303100402> [Accessed 7 April 2023]

Eisenhardt, K. M. (2021). What is the Eisenhardt Method, really? *Strategic Organization*, 19(1), pp. 147–160. Available online: <https://doi.org/10.1177/1476127020982866> [Accessed 10 February 2023]

Faulkner, B. (2002). Rejuvenating a Maturing Tourist Destination: The Case of the Gold Coast, *Current Issues in Tourism*, vol. 5, no. 6, pp.472–520, Available online: <https://www.tandfonline.com/doi/abs/10.1080/13683500208667938> [Accessed 26 May 2023]

Fill, C. (1999). *Marketing Communications: Contexts, Contents and Strategies*, Hemel Hempstead: Prentice Hall

Franco M. and Mota L. (2021) *Reopening for Business Post-COVID-19: Augmented Reality as a Strategy for Attracting Visitors to a Tourist Destination*. *European Journal of Tourism, Hospitality and Recreation*, Vol.11, no 1, pp. 54-65. Available online: <https://doi.org/10.2478/ejthr-2021-0006> [Accessed 30 May 2023]

Franco, E. (2021). Primeira ‘Digital Nomad Village’ Da Madeira Abre Amanhã Na Ponta Do Sol, DNOTICIAS.PT, Available online: <https://www.dnoticias.pt/2021/2/17/251071-primeira-digital-nomad-village-da-madeira-abre-amanha-na-ponta-do-sol/> [Accessed 8 May 2023]

Gartner, W. C. (1994). Image Formation Process, *Journal of Travel & Tourism Marketing*, vol. 2, no. 2-3, pp.191–216

Gilbert, D. (1990). Strategic Marketing Planning for National Tourism, *The tourist review*, vol. 45, no. 1, pp.18–27, Available online: [https://www.emerald.com/insight/content/doi/10.1108/eb058038/full/pdf?casa\\_token=IUgeMnE\\_xGAAAAAA:xGTMnf-dJDiPX17tzQ1FJRQDMOLtfmYfEtWR0hUrjji6z7Vzgbv8IpFkH3Mz35MH6enCLrXyCIDRRjNpsGtI1-aoODh9MkyVn5iRdlFRlg4dJ0XOjXM](https://www.emerald.com/insight/content/doi/10.1108/eb058038/full/pdf?casa_token=IUgeMnE_xGAAAAAA:xGTMnf-dJDiPX17tzQ1FJRQDMOLtfmYfEtWR0hUrjji6z7Vzgbv8IpFkH3Mz35MH6enCLrXyCIDRRjNpsGtI1-aoODh9MkyVn5iRdlFRlg4dJ0XOjXM) [Accessed 7 April 2023]

Gunn, C.A. (1997). *Vacationscape: Developing Tourist Areas* (1st ed.). Routledge. Available online: <https://doi.org/10.4324/9781315820316> [Accessed 30 May 2023]

Reilly, M. D. (1990), Free elicitation of descriptive adjectives for tourism image assessment. *Journal of Travel Research*, 28(4), 69-76.

Hall, D. (2003). Rejuvenation, Diversification and Imagery: Sustainability Conflicts for Tourism Policy in the Eastern Adriatic, *Journal of Sustainable Tourism*, vol. 11, no. 2-3, pp.280–294, Available online: <https://www.tandfonline.com/doi/abs/10.1080/09669580308667207> [Accessed 9 April 2023]

Haywood, K. Michael. (1986). Can the Tourist-Area Life Cycle Be Made Operational?, *Tourism Management*, vol. 7, no. 3, pp.154–167, Available online: <https://www.sciencedirect.com/science/article/pii/0261517786900026> [Accessed 2 April 2023]

History of Madeira Island - Visit Madeira | Madeira Islands Tourism Board Official Website. (2023). *Visitmadeira.com*, Available online: <https://visitmadeira.com/en/what-to-do/culture-passionates/history/> [Accessed 30 May 2023]

Hooley, G., Greenley, G., Fahy, J. & Cadogan, J. (2001). Market-Focused Resources, Competitive Positioning and Firm Performance, *Journal of Marketing Management*, vol. 17, no. 5-6, pp.503–520

Hosany, S., Ekinici, Y. & Uysal, M. (2007). Destination Image and Destination Personality, *International Journal of Culture, Tourism and Hospitality Research*, vol. 1, no. 1, pp.62–81, Available online: [https://www.emerald.com/insight/content/doi/10.1108/17506180710729619/full/html?casa\\_token=BZT1QpE3OhsAAAAA:pnazezQUy2B6TU2n5gBJdkYKcIGfkfUklLCaKLRp7Br-hP5UxbOjEMOYNouM3DNDnvIzVAtim5ww9e\\_zQK2itchZ9a00df91L4qFeWHqiotAXantqZM](https://www.emerald.com/insight/content/doi/10.1108/17506180710729619/full/html?casa_token=BZT1QpE3OhsAAAAA:pnazezQUy2B6TU2n5gBJdkYKcIGfkfUklLCaKLRp7Br-hP5UxbOjEMOYNouM3DNDnvIzVAtim5ww9e_zQK2itchZ9a00df91L4qFeWHqiotAXantqZM) [Accessed 10 April 2023]

Hovinen, G. R. (1981). A TOURIST CYCLE in LANCASTER COUNTY, PENNSYLVANIA, *The Canadian Geographer / Le Géographe canadien*, vol. 25, no. 3, pp.283–286, Available online: <https://onlinelibrary-wiley-com.ludwig.lub.lu.se/doi/abs/10.1111/j.1541-0064.1981.tb01649.x> [Accessed 6 April 2023]

Hovinen, G. R. (2002). Revisiting the Destination Lifecycle Model, *Annals of Tourism Research*, vol. 29, no. 1, pp.209–230, Available online: <https://www.sciencedirect.com/science/article/pii/S0160738301000366> [Accessed 26 March 2023]

Jansson, A. (2018). Rethinking Post-Tourism in the Age of Social Media, *Annals of Tourism Research*, vol. 69, pp.101–110, Available online: [https://www.sciencedirect.com/science/article/pii/S0160738318300057?casa\\_token=D5NZJ7Oo oLcAAAAA:RmKQOrnQQ65ZWCBak8u7sYj-EBrcKn1PvYg7mxoKDEB2KiPSgy2vsOaMSIAlb-ddoHAW6xLMVw](https://www.sciencedirect.com/science/article/pii/S0160738318300057?casa_token=D5NZJ7Oo oLcAAAAA:RmKQOrnQQ65ZWCBak8u7sYj-EBrcKn1PvYg7mxoKDEB2KiPSgy2vsOaMSIAlb-ddoHAW6xLMVw) [Accessed 26 May 2023]

Jiang, Q. & McCabe, S. (2021). Information Technology and Destination Performance: Examining the Role of Dynamic Capabilities, *Annals of Tourism Research*, vol. 91, p.103292, Available online: [https://www.sciencedirect.com/science/article/pii/S0160738321001705?casa\\_token=0DcVBLhNfXUAAAAA:xPHH129UR8nOq63GQtoZmwoSa1-1SM3-gUuIhPI8iVs-BzawvNgb5SpwuVP8eQB\\_REwolNTRUQE](https://www.sciencedirect.com/science/article/pii/S0160738321001705?casa_token=0DcVBLhNfXUAAAAA:xPHH129UR8nOq63GQtoZmwoSa1-1SM3-gUuIhPI8iVs-BzawvNgb5SpwuVP8eQB_REwolNTRUQE) [Accessed 11 April 2023]

Jiang, Y., Ritchie, B. W. & Verreynne, M. (2019). Building Tourism Organizational Resilience to Crises and Disasters: A Dynamic Capabilities View, *International Journal of Tourism Research*, vol. 21, no. 6, pp.882–900, Available online: [https://onlinelibrary.wiley.com/doi/abs/10.1002/jtr.2312?casa\\_token=vcLV9F8qYioAAAAA%3AXsarKL0g6FL0Ux7B9PRC-RzWfd33yMvRCTJf8mWqGtYH-pqi8AWBV9XZzWzOSia2nDtdS3w8ZIDN0g](https://onlinelibrary.wiley.com/doi/abs/10.1002/jtr.2312?casa_token=vcLV9F8qYioAAAAA%3AXsarKL0g6FL0Ux7B9PRC-RzWfd33yMvRCTJf8mWqGtYH-pqi8AWBV9XZzWzOSia2nDtdS3w8ZIDN0g) [Accessed 15 April 2023]

Jiang, Y., Ritchie, B. W. & Verreynne, M.-L. (2021a). Building Dynamic Capabilities in Tourism Organisations for Disaster Management: Enablers and Barriers, *Journal of Sustainable Tourism*, vol. 31, no. 4, pp.1–26, Available online: <https://www-tandfonline-com.ludwig.lub.lu.se/doi/pdf/10.1080/09669582.2021.1900204> [Accessed 10 April 2023]

Jiang, Y., Ritchie, B. W. & Verreynne, M.-L. (2021b). A Resource-Based Typology of Dynamic Capability: Managing Tourism in a Turbulent Environment, *Journal of Travel Research*, vol. 61, no. 5, p.004728752110149, Available online: [https://journals.sagepub.com/doi/abs/10.1177/00472875211014960?casa\\_token=3L\\_dL5JUIVAAAAA%3AKNQG8o56NQja9CLO1131kV3IQvHwYDdxjKBC9ogZ32IDnRgFHKmObqvt96bsshjBcQzJm\\_N4ab82&journalCode=jtrb](https://journals.sagepub.com/doi/abs/10.1177/00472875211014960?casa_token=3L_dL5JUIVAAAAA%3AKNQG8o56NQja9CLO1131kV3IQvHwYDdxjKBC9ogZ32IDnRgFHKmObqvt96bsshjBcQzJm_N4ab82&journalCode=jtrb) [Accessed 12 April 2023]

Kapferer, J. N. (2012). *The New Strategic Brand Management: Advanced Insights and Strategic Thinking*, 5th edn, London: Kogan Page

Kim, H. & Chen, J. S. (2015). Destination Image Formation Process, *Journal of Vacation Marketing*, vol. 22, no. 2, pp.154–166, Available online: <https://journals.sagepub.com/doi/abs/10.1177/1356766715591870> [Accessed 27 May 2023]

Kislali, H., Kavaratzis, M. & Saren, M. (2016). Rethinking Destination Image Formation, *International Journal of Culture, Tourism and Hospitality Research*, vol. 10, no. 1, pp.70–80, Available online: <https://www.emerald.com/insight/content/doi/10.1108/IJCTHR-05-2015-0050/full/html> [Accessed 12 April 2023]

Knowles, T. & Curtis, S. (1999). The Market Viability of European Mass Tourist Destinations. A Post-Stagnation Life-Cycle Analysis, *International Journal of Tourism Research*, vol. 1, no. 2, pp.87–96, Available online:

[https://www.researchgate.net/publication/248017908\\_The\\_Market\\_Viability\\_of\\_European\\_Mass\\_Tourist\\_Destinations\\_A\\_Post-Stagnation\\_Life-cycle\\_Analysis](https://www.researchgate.net/publication/248017908_The_Market_Viability_of_European_Mass_Tourist_Destinations_A_Post-Stagnation_Life-cycle_Analysis) [Accessed 8 April 2023]

Kostopoulos, K. C., Spanos, Y. E. & Prastacos, G. P. (2002). The Resource – Based View of the Firm and Innovation: Identification of Critical Linkages, The 2nd European Academy of Management Conference, Stockholm, Sweden, 2002, pp.1–19, Available online:

[https://d1wqtxts1xzle7.cloudfront.net/76346176/rb\\_view-libre.pdf?1639554354=&response-content-disposition=inline%3B+filename%3DThe\\_Resource\\_Based\\_View\\_of\\_the\\_Firm\\_and.pdf&Expires=1685193400&Signature=W4~tsp4GcuOO74DjuVwdrG2cnC5oCf0444kkBnhbNL56vBtLxuoXiyNWZAHqOZ6Vvdso6NZN4Ka0QtmS6qe4Mnr5FXOnJYC7j0LrNGxWV0JgCsT0qveuHqrwt3CBrym69tx26NgzJ5r90uuw~PQ3jxKeIBHjL5W23h4kvQfxXU-0VKprUP-iDDUx8Hzt0s8hVJqyBJCZ9ZcZa06AcsL4~qEMVyoIz~FxxisB7z9ua9pOB3c13x9voThybjL74mClGivutoYL-8cgAD-2AEbu785juCyOA-nXIEbbGmvBPZ2culrmaaC4PCSGja1zxQduMG0BbU0~AceSkAHE2~Qtw\\_\\_&Key-Pair-Id=APKAJLOHF5GGSLRBV4ZA](https://d1wqtxts1xzle7.cloudfront.net/76346176/rb_view-libre.pdf?1639554354=&response-content-disposition=inline%3B+filename%3DThe_Resource_Based_View_of_the_Firm_and.pdf&Expires=1685193400&Signature=W4~tsp4GcuOO74DjuVwdrG2cnC5oCf0444kkBnhbNL56vBtLxuoXiyNWZAHqOZ6Vvdso6NZN4Ka0QtmS6qe4Mnr5FXOnJYC7j0LrNGxWV0JgCsT0qveuHqrwt3CBrym69tx26NgzJ5r90uuw~PQ3jxKeIBHjL5W23h4kvQfxXU-0VKprUP-iDDUx8Hzt0s8hVJqyBJCZ9ZcZa06AcsL4~qEMVyoIz~FxxisB7z9ua9pOB3c13x9voThybjL74mClGivutoYL-8cgAD-2AEbu785juCyOA-nXIEbbGmvBPZ2culrmaaC4PCSGja1zxQduMG0BbU0~AceSkAHE2~Qtw__&Key-Pair-Id=APKAJLOHF5GGSLRBV4ZA) [Accessed 10 April 2023]

Kotler, P. (1991). *Marketing Management : Analysis, Planning, Implementation, and Control*, London: Prentice-Hall International

Kotler, P., Bowen, J. T. & Makens, J. C. (2005). *Marketing for hospitality and tourism. Upper Saddle River*, NJ: Pearson Education Inc

Kruczek, Z., Kruczek, M. & Szromek, A. (2018b). Possibilities of Using the Tourism Area Life Cycle Model to Understand and Provide Sustainable Solution for Tourism Development in the Antarctic Region, *Sustainability*, vol. 10, no. 2, p.89, Available online:

<https://www.mdpi.com/2071-1050/10/1/89> [Accessed 10 April 2023]

Laurisilva of Madeira. *UNESCO World Heritage Centre*, Available online:

<https://whc.unesco.org/en/list/934/> [Accessed 30 May 2023]

Lee, S., Kim, D., Park, S. & Lee, W. (2021). A Study on the Strategic Decision Making Used in the Revitalization of Fishing Village Tourism: Using SWOT Analysis, *Sustainability*, vol. 13, no. 13, p.7472, Available online: <https://doi.org/10.3390/su13137472> [Accessed 10 May 2023]

Lincoln, Y.S. and Guba, E.G. (1985) *Naturalistic inquiry*. Sage. Available online:

<https://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,uid&db=cab07147a&AN=lub.263714&site=eds-live&scope=site> [Accessed 30 May 2023].

- López, Ana. M. (2023). Number of Tourists in Madeira by Country 2019, *Statista*, Available online: <https://www.statista.com/statistics/1155166/number-of-tourists-in-madeira-by-country/> [Accessed 7 April 2023]
- Lundtorp, S. & Wanhill, S. (2001). The Resort Lifecycle Theory, *Annals of Tourism Research*, vol. 28, no. 4, pp.947–964, Available online: <https://www.sciencedirect.com/science/article/pii/S0160738300000803> [Accessed 7 April 2023]
- Macionis, N. (2004). *Understanding the film-induced tourist*. International Tourism and Media Conference 2004. Available online: [https://www.researchgate.net/publication/228790015\\_Understanding\\_the\\_film-induced\\_tourist](https://www.researchgate.net/publication/228790015_Understanding_the_film-induced_tourist) [Accessed 27 May 2023]
- Madden, D. (2021). The COVID-19 Pandemic Has Cost the Global Tourism Industry \$935 Billion, *Forbes*, Available online: <https://www.forbes.com/sites/duncanmadden/2021/01/14/the-covid-19-pandemic-has-cost-the-global-tourism-industry-935-billion/?sh=6009b9a77d40> [Accessed April 4, 2023]
- Madeira Weather. (2023). *Met Office*, Available online: <https://www.metoffice.gov.uk/weather/travel/holiday-weather/europe/madeira/madeira-weather>
- Marchena, M. & Vera, F. (1995). Coastal Areas: Processes, Typologies, Prospects, *European Tourism: Regions, Spaces and Restructuring*. Chichester, Wiley
- Meñaca-Guerrero, I., Guerra, J. M. M., de Armas, M. I. Z. & Atia, V. C. (2021). Dynamic Capabilities in the Tourist Companies of the Colombian Caribbean Coast: Case of Cartagena de Indias, *Intangible Capital*, [e-journal] vol. 18, no. 3, pp.370–385, Available Online: <https://www.intangiblecapital.org/index.php/ic/article/download/1793/807> [Accessed 14 April 2023]
- Mills, J. E. & Law, R. (2013). *Handbook of Consumer Behavior Tourism and the Internet*, Hoboken: Taylor and Francis
- Miksza, P., Shaw, J. T., Hash, P. M., Hodges, D. A., Richerme, L. K. & Parker, E. C. (2023). Music Education Research: An Introduction, [e-book] Oxford University Press, pp.217–235, Available online: <https://academic.oup.com/book/45607/chapter/394831299?login=true> [Accessed 31 May 2023]
- Mirkovski, K., Lowry, P. B., von Briel, F. & Liu, L. (2015). The Role of Innovation Intermediaries in Collaborative Networks of Small and Medium-Sized Enterprises, 19th Pacific Asia Conference on Information Systems (PACIS 2015), Singapore, 22 May 2015, Available online: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2608910](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2608910) [Accessed 12 April 2023]

Morgan, M. (1991). Dressing up to Survive: Marketing Majorca Anew, *Tourism Management*, vol. 12, no. 1, pp.15–20

Mullen, T. (2021). Why Madeira Island Is a World Apart, *Forbes*, Available online: <https://www.forbes.com/sites/tmullen/2021/10/24/why-madeira-island-is-a-world-apart/?sh=7431e1349c70> [Accessed April 4, 2023]

Müller, S., Peters, M. & Blanco, E. (2010). Rejuvenation Strategies: A Comparison of Winter Sport Destinations in Alpine Regions, *Current Issues in Tourism*, vol. 58, no. 1, pp.327–349, Available online: [https://www.researchgate.net/publication/45228743\\_Rejuvenation\\_strategies\\_A\\_comparison\\_of\\_winter\\_sport\\_destinations\\_in\\_Alpine\\_regions](https://www.researchgate.net/publication/45228743_Rejuvenation_strategies_A_comparison_of_winter_sport_destinations_in_Alpine_regions) [Accessed 8 April 2023]

Oliveira, P. & Pereira, P. T. (2008). Who Values What in a Tourism Destination? The Case of Madeira Island, *Tourism Economics*, vol. 14, no. 1, pp.155–168, Available online: [https://journals.sagepub.com/doi/abs/10.5367/000000008783554758?casa\\_token=AWexZIMJayEAAAAA%3An6Si1nmOJ9hlV40HNNMYyCCuhnb07D5wC6upD\\_w7b20V9h-nnh3kcrpVwiwTRzXsR0gqH73S9z&journalCode=teua](https://journals.sagepub.com/doi/abs/10.5367/000000008783554758?casa_token=AWexZIMJayEAAAAA%3An6Si1nmOJ9hlV40HNNMYyCCuhnb07D5wC6upD_w7b20V9h-nnh3kcrpVwiwTRzXsR0gqH73S9z&journalCode=teua) [Accessed 10 April 2023]

Oreja Rodríguez, J. R., Parra-López, E. & Yanes-Estévez, V. (2008). The Sustainability of Island Destinations: Tourism Area Life Cycle and Teleological Perspectives. The Case of Tenerife, *Tourism Management*, vol. 29, no. 1, pp.53–65, Available online: <https://www.sciencedirect.com/science/article/pii/S0261517707001008> [Accessed 25 April 2023]

Östlin, J., Sundin, E., & Björkman, M. (2009). Product life-cycle implications for remanufacturing strategies. *Journal of cleaner production*, 17(11), 999-1009.

Palamountain, O. (2021). Madeira Launches ‘Digital Nomad Village’ with Free Workspace, *Globetrender*, Available online: <https://globetrender.com/2021/02/10/madeira-digital-nomad-village-remote-working/> [Accessed 18 April 2023]

Pearce, P.L. (1982). *Perceived changes in holiday destinations*. *Annals of Tourism Research*, 9, 145-164.

Pechlaner, H. (1999). Welche Zukunft für die Destination Alpen? Herausforderungen bei der alpinen länderübergreifenden Kooperation. In: M. Fuchs, M. Peters, B. Pikkemaat, & E. Reiger (Eds.), *Tourismus in den Alpen: Internationale Beiträge aus Forschung und Praxis*, pp.123-139. Innsbruck: Studia Universitätsverlag

Pike, S. (2002). Destination Image Analysis—a Review of 142 Papers from 1973 to 2000, *Tourism Management*, vol. 23, no. 5, pp.541–549, Available online: <https://www.sciencedirect.com/science/article/pii/S0261517702000055> [Accessed 13 April 2023]

- Pike, S. & Ryan, C. (2004). Destination Positioning Analysis through a Comparison of Cognitive, Affective, and Conative Perceptions, *Journal of Travel Research*, vol. 42, no. 4, pp.333–342, Available online: <https://journals-sagepub-com.ludwig.lub.lu.se/doi/pdf/10.1177/0047287504263029> [Accessed 7 April 2023]
- Porter, M., E. (1990). The Competitive Advantage of Nations. *Harvard Business Review*, vol. 68, no 2, pp.73-93, Available online: <https://hbr.org/1990/03/the-competitive-advantage-of-nations> [Accessed 8 April 2023]
- Priem, R. L. & Butler, J. E. (2001). Is the Resource-Based ‘View’ a Useful Perspective for Strategic Management Research?, *The Academy of Management Review*, vol. 26, no. 1, pp.22–40, Available online: [https://www.jstor.org/stable/pdf/259392.pdf?casa\\_token=z8nwmRC1KXQAAAAA:m9QkHTLAAJnjAGe1gYIheE8awFZ31zS1h-CHfHPVXAnLm8tSDaoApdPLDu\\_hq9P01seLhAUtPqltqJioyJ0HX-7e9m7ql4ZyW\\_llZlqrorVaB5Znhj\\_N](https://www.jstor.org/stable/pdf/259392.pdf?casa_token=z8nwmRC1KXQAAAAA:m9QkHTLAAJnjAGe1gYIheE8awFZ31zS1h-CHfHPVXAnLm8tSDaoApdPLDu_hq9P01seLhAUtPqltqJioyJ0HX-7e9m7ql4ZyW_llZlqrorVaB5Znhj_N) [Accessed 11 April 2023]
- Purwani, O., Hardiana, A. & Iswati, T. Y. (2020). Questioning Sustainability: Instagramable Tourism in Indonesia, *Nusantara: An International Journal of Humanities and Social Sciences*, vol. 2, pp.83–104, Available online: [https://www.academia.edu/45208224/Questioning\\_Sustainability\\_Instagramable\\_Tourism\\_in\\_Indonesia](https://www.academia.edu/45208224/Questioning_Sustainability_Instagramable_Tourism_in_Indonesia) [Accessed 26 May 2023]
- Qubein, R. (2021). Maldives Launches National Loyalty Program with 3 Elite Tiers for Frequent Visitors, *Forbes*, Available online: <https://www.forbes.com/sites/ramseyqubein/2021/04/19/maldives-launches-national-loyalty-program-with-3-elite-tiers-for-frequent-visitors/> [Accessed 14 April 2023]
- Rahman, N., Halim, N. & Zakariya, K. (2018). Architectural Value for Urban Tourism Placemaking to Rejuvenate the Cityscape in Johor Bahru, *IOP Conference Series: Materials Science and Engineering*, vol. 401, p.012010, Available online: <https://iopscience.iop.org/article/10.1088/1757-899X/401/1/012010> [Accessed 13 March 2023]
- Rebollo, J. F. V. & Castiñeira, C. J. B. (2010). Renewal and Restructuring of Consolidated Coastal Tourist Destinations: Recreational Practices in the Evolution of Tourist Space, *Boletín de la Asociación de Geógrafos Españoles*, vol. 53, no. 53, pp.419–425, Available online: <https://doaj.org/article/bbdc0f0015144388b9a853fa456efe0> [Accessed 13 April 2023]
- Rennstam, J. & Wästerfors, D. (2018). ANALYZE!: Crafting Your Data in Qualitative Research., 1st edn, Studentlitteratur

Reynolds, W. H. (1965). The Role of the Consumer in Image Building, *California Management Review*, vol. 7, no. 3, pp.69–76

Ritchie, B. W. (2004). Chaos, Crises and Disasters: A Strategic Approach to Crisis Management in the Tourism Industry, *Tourism Management*, vol. 25, no. 6, pp.669–683, Available online: <https://www.sciencedirect.com/science/article/pii/S0261517703001845> [Accessed 10 April 2023]

Saunders, M., Lewis and Thornhill, A. (2007) *Research Methods for Business Students*. 4th edn. Pearson Education, Inc. Available through: <https://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,uid&db=cat07147a&AN=lub.6814264&site=eds-live&scope=site> [Accessed 20 May 2023]

Saunders, M., Lewis, P. & Thornhill, A. (2012). *Research Methods for Business Students*, 6th edn, Pearson, Available online: <https://gibsoncollege.edu.et/wp-content/uploads/2022/01/Research-Methods-for-Business-Students-by-Mark-Saunders-Philip-Lewis-Adrian-Thornhill-z-lib.org-1.pdf> [Accessed 20 April 2023]

Sayer, A. (1992). *Method in Social Science : A Realist Approach*, London: Routledge

Sayer, A. (2000). *Realism and Social Science*, London: SAGE

Schilke, O. & Goerzen, A. (2010). Alliance Management Capability: An Investigation of the Construct and Its Measurement, *Journal of Management*, vol. 36, no. 5, pp.1192–1219

Shrestha, R. K. & L'Espoir Decosta, P. (2021). Developing Dynamic Capabilities for Community Collaboration and Tourism Product Innovation in Response to Crisis: Nepal and COVID-19, *Journal of Sustainable Tourism*, vol. 31, no. 1, pp.1–19, Available online: [https://www.tandfonline.com/doi/abs/10.1080/09669582.2021.2023164?casa\\_token=AoewhKX1xUcAAAAA%3A7MsZKwUSD2nNLtv7cAHtOhv1BAnvAnlq5f1EYIVEC-MBagqlZF0BHb4HGwGtTYw3ftnfSFTe5lKw&journalCode=rsus20](https://www.tandfonline.com/doi/abs/10.1080/09669582.2021.2023164?casa_token=AoewhKX1xUcAAAAA%3A7MsZKwUSD2nNLtv7cAHtOhv1BAnvAnlq5f1EYIVEC-MBagqlZF0BHb4HGwGtTYw3ftnfSFTe5lKw&journalCode=rsus20) [Accessed 14 April 2023]

Shurvell, J. (2019). Why Madeira, Portugal Should Be Your Top Holiday Destination for 2020, *Forbes*, Available online: <https://www.forbes.com/sites/joanneshurvell/2019/12/13/why-madeira-portugal-should-be-your-top-holiday-destination-for-2020/?sh=3e77754f5f0c> [Accessed 1 May 2023]

Siegel, L. A., Tussyadiah, I. & Scarles, C. (2023). Exploring Behaviors of Social Media-Induced Tourists and the Use of Behavioral Interventions as Salient Destination Response Strategy, *Journal of Destination Marketing & Management*, vol. 27, p.100765, Available online: <https://www.sciencedirect.com/science/article/pii/S2212571X23000045?via%3Dihub> [Accessed 26 May 2023]



Solomon, L. (2015). Rejuvenation and Strategic Development of Coastal Tourism in Northern Sweden, Master Thesis in Human Geography, Available online:

<https://www.semanticscholar.org/paper/Rejuvenation-and-strategic-development-of-coastal-Solomon/6cc74806d841d28d0ca070666974904e14d85608> [Accessed 8 April 2023]

Souiden, N., Ladhari, R. & Chiadmi, N. E. (2017). Destination Personality and Destination Image, *Journal of Hospitality and Tourism Management*, vol. 32, pp.54–70, Available online: <https://www.sciencedirect.com/science/article/pii/S1447677016301802?via%3Dihub> [Accessed 3 April 2023]

Stahl, N.A. and King, J.R. (2020) ‘Expanding Approaches for Research: Understanding and Using Trustworthiness in Qualitative Research’, *Journal of Developmental Education*, vol. 44 no.1, pp. 26–28. Available online: <https://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,uid&db=eric&AN=EJ1320570&site=eds-live&scope=site> [Accessed 31 May 2023]

Stake, R. E. (1995). *The Art of Case Study Research*. Thousand Oaks, CA: Sage

Stake, R.E. (2010). *Qualitative Research: Studying How Things Work*, Guilford Publications, New York. Available through:

<https://ebookcentral.proquest.com/lib/lund/detail.action?docID=479606> [Accessed 30 May 2023].

Statista. (2023). Number of Overnight Tourists in Madeira, Portugal, *Statista*, Available online: <https://www.statista.com/statistics/1155154/number-of-visitors-in-madeira/> [Accessed 8 April 2023]

Stenfors, T., Kajamaa, A. & Bennett, D. (2020). How to Assess the Quality of Qualitative Research, *The Clinical Teacher*, vol. 17, no. 6, pp.596–599, Available through: Wiley <https://onlinelibrary.wiley.com/doi/full/10.1111/tct.13242> [Accessed 26 May 2023]

Tang, C., Zhong, L. & Ng, P. (2017). Factors That Influence the Tourism Industry’s Carbon Emissions: A Tourism Area Life Cycle Model Perspective, *Energy Policy*, vol. 109, pp.704–718, Available online: <https://nau.pure.elsevier.com/en/publications/factors-that-influence-the-tourism-industrys-carbon-emissions-a-t> [Accessed 13 April 2023]

Teece, D. & Pisano, G. (1994). The Dynamic Capabilities of Firms: An Introduction, *Industrial and Corporate Change*, vol. 3, no. 3, pp.537–556

Teece, D. J. (2014). A Dynamic Capabilities-Based Entrepreneurial Theory of the Multinational Enterprise, *Journal of International Business Studies*, vol. 45, no. 1, pp.8–37, Available online: <https://link.springer.com/article/10.1057/jibs.2013.54> [Accessed 14 April 2023]

- Teece, D. J., Pisano, G. & Shuen, A. (1997). Dynamic Capabilities and Strategic Management, *Strategic Management Journal*, vol. 18, no. 7, pp.509–533
- Toh, R. S., Khan, H. & Koh, A.-J. (2001). A Travel Balance Approach for Examining Tourism Area Life Cycles: The Case of Singapore, *Journal of Travel Research*, vol. 39, no. 4, pp.426–432, Available online: <https://journals.sagepub.com/doi/pdf/10.1177/004728750103900409> [Accessed 13 April 2023]
- Tooman, L. Alex. (1997). Applications of the Life-Cycle Model in Tourism, *Annals of Tourism Research*, vol. 24, no. 1, pp.214–234, Available online: <https://www.sciencedirect.com/science/article/pii/S0160738396000527> [Accessed 6 April 2023]
- Visit Madeira - Welcome to Madeira and Porto Santo | Madeira Islands Tourism Board Official Website. (2023). *Visitmadeira.com*, Available online: <https://visitmadeira.com/en/>
- Wang, C. L. & Ahmed, P. K. (2004). Leveraging Knowledge in the Innovation and Learning Process at GKN, *International Journal of Technology Management*, vol. 27, no. 6/7, p.674, Available Online: <https://www.inderscienceonline.com/doi/abs/10.1504/IJTM.2004.004909> [Accessed 10 April 2023]
- Wang, C. L. & Ahmed, P. K. (2007). Dynamic Capabilities: A Review and Research Agenda, *International Journal of Management Reviews*, vol. 9, no. 1, pp.31–51, Available online: [https://onlinelibrary.wiley.com/doi/full/10.1111/j.1468-2370.2007.00201.x?casa\\_token=Id4ETtQOU70AAAAA%3AArVPX8G4radvIIHdDoD5H926wn0u3W4kBIxfuG42LRwFVR43RQQ8dYCR9t3MO-VFvO-pVYr8YDaM934](https://onlinelibrary.wiley.com/doi/full/10.1111/j.1468-2370.2007.00201.x?casa_token=Id4ETtQOU70AAAAA%3AArVPX8G4radvIIHdDoD5H926wn0u3W4kBIxfuG42LRwFVR43RQQ8dYCR9t3MO-VFvO-pVYr8YDaM934) [Accessed 12 April 2023]
- Weaver, D. B. (2000). A Broad Context Model of Destination Development Scenarios, *Tourism Management*, vol. 21, no. 3, pp.217–224, Available online: [https://www.sciencedirect.com/science/article/pii/S0261517799000540?fr=RR-2&ref=pdf\\_download&rr=7b558843b86071f0](https://www.sciencedirect.com/science/article/pii/S0261517799000540?fr=RR-2&ref=pdf_download&rr=7b558843b86071f0) [Accessed 9 April 2023]
- Wernerfelt, B. (1989). From Critical Resources to Corporate Strategy, *Journal of general management*, vol. 14, no. 3, Available online: <https://web.mit.edu/bwerner/www/papers/Fromcriticalresourcestocorporatestrategy.PDF> [Accessed 11 April 2023]
- Wieczorek-Kosmala, M. (2022). A Study of the Tourism Industry’s Cash-Driven Resilience Capabilities for Responding to the COVID-19 Shock, *Tourism Management*, vol. 88, no. 7, p.104396

- Wilkinson, P. F. (1987). Tourism in Small Island Nations: A Fragile Dependence, *Leisure Studies*, vol. 6, no. 2, pp.127–146, Available online: <https://www.tandfonline.com/doi/abs/10.1080/02614368700390111> [Accessed 8 April 2023]
- Williams, A. M. & Baláž, V. (2014). Tourism Risk and Uncertainty, *Journal of Travel Research*, vol. 54, no. 3, pp.271–287, Available online: <https://journals.sagepub.com/doi/10.1177/0047287514523334> [Accessed 10 April 2023]
- World Tourism Organization. (2023). *UNWTO*, Available Online: <https://www.unwto.org/tourism-and-covid-19-unprecedented-economic-impacts> [Accessed April 4, 2023]
- Xu, L., Yu, H. & Zhou, B. (2022). Decline or Rejuvenation? Efficiency Development of China's National Scenic Areas, *Forests*, vol. 13, no. 7, p.995, Available online: <https://www.mdpi.com/1999-4907/13/7/995> [Accessed 7 April 2023]
- Zhang, Z. (2014). Hierarchical Dynamic Capabilities and Strategic Entrepreneurship in Changing Industrial Environments, *Frontiers of Business Research in China*, vol. 8, no. 3, pp.388–410, Available online: [https://brill.com/view/journals/fbrc/8/3/article-p388\\_6.xml?casa\\_token=NDXakopAr9gAAAAA:V3Rsny4Xo3lxZcbU2jUG3GAmlGMWArrgLdNssIyAGQwWR-GAXxpWJjTZvvN6pfDr18oFGhYN](https://brill.com/view/journals/fbrc/8/3/article-p388_6.xml?casa_token=NDXakopAr9gAAAAA:V3Rsny4Xo3lxZcbU2jUG3GAmlGMWArrgLdNssIyAGQwWR-GAXxpWJjTZvvN6pfDr18oFGhYN) [Accessed 9 April 2023]
- Zollo, M. & Winter, S. G. (1999). From Organizational Routines to Dynamic Capabilities, INSEAD, Available online: [https://www.academia.edu/download/70967225/From\\_organizational\\_routines\\_to\\_dynamic\\_20211002-31983-117coay.pdf](https://www.academia.edu/download/70967225/From_organizational_routines_to_dynamic_20211002-31983-117coay.pdf) [Accessed 14 April 2023]

# Appendices

## Appendix 1: Operationalization of the semi-structured interviews

Focus Area	Question
Repositioning	1. How is Madeira Island unique compared to other popular island destinations?
	2. Who is the main visitor now and who are you trying to attract in the future?
	3. How has the image of Madeira Island changed in the minds of tourists since before the COVID-19 pandemic up until now?
	4. How would you want the image of Madeira to change in the future in the minds of tourists?
	5. What kind of promotional activities are you implementing to change the image of Madeira?
	6. Who are the stakeholders that partake in the image transformation activities of Madeira? - What is the role of local entrepreneurs? - What is the role of the local authorities?
	7. Is Madeira making any efforts to retain its traditional tourist segment i.e. older generations?
Diversification	8. Are there any new products or services that your company introduced during or after COVID-19 to attract a new audience?
	9. What are the new products and services in the tourism industry that are developed to attract a new tourist audience in Madeira Island?

Dynamic Capabilities	10. What do you think would be the challenges for Madeira Island and the local businesses in attracting an additional tourist market?
	11. What are the activities that would be put in place to tackle these challenges?
	12. How are the local entrepreneurs preparing internally in their companies to accommodate/excite the new visitors?
	13. Is there any expertise/new knowledge that you/local companies have developed internally during this process? - In terms of how the company is managed? - In terms of how the company processes are operated? - In terms of the resources used in the company?
	14. What natural resources can be used in a new way to attract new visitors?
	15. Can you give some examples of technological innovations that have been used throughout this process?

## Appendix 2: Interview Guide

21.04.2023

### Rejuvenation of Madeira Island: Questions

First, we want to thank you for choosing to participate in our study. We appreciate you taking the time to answer our questions. Madeira Island is a beautiful region which has been an active tourist destination for many decades with loyal visitors. Nevertheless, after diving deeper into the media source available online, it seems that the islands are taking active steps to attract younger visitors. The authors of this study found this ongoing process to be extremely compelling as a potential subject for research. Therefore, the purpose of the research that is being conducted is to investigate which capabilities enable the repositioning and diversification to rejuvenate Madeira Island as a tourist destination. The researchers will aim to delve into how local tourism entrepreneurs in Madeira contribute to the transformation of the islands.

This research is undertaken by Ivelina Petkova and Sofia Rosin as a part of the International Marketing and Brand Management Master's programme degree (thesis) project at Lund University. On a final note, in case you mention sensitive information in your answers that you do not want to be published, please let us know.

Please do not hesitate to contact us if any questions arise:  
sofia.rosin99@gmail.com - ivelinavpetkova@gmail.com

1. How is Madeira unique compared to other popular island destinations?
2. Who is the main visitor now and who are you trying to attract in the future?
3. How has the image of Madeira Island changed in the minds of tourists since before the COVID-19 pandemic up until now?
4. How would you want the image of Madeira to change in the future in the minds of tourists?

5. What kind of promotional activities are you implementing to change the image of Madeira?
6. Who are the stakeholders that partake in the image transformation activities of Madeira?
  - What is the role of local entrepreneurs?
  - What is the role of the local authorities?
7. Is Madeira making any efforts to retain its traditional tourist segment i.e. older generations? If so, in what ways?
8. Innovative new products or services can play a significant role in promoting a tourism destination.
  - Are there any new products or services that your company introduced during or after COVID-19 to attract a new audience?
9. What are the new products and services in the tourism industry that are developed to attract a new tourist audience in Madeira Island?
10. What do you think would be the challenges for Madeira Island and the local businesses in attracting an additional tourist market?
11. What are the activities that would be put in place to tackle these challenges?
12. How are the local entrepreneurs preparing internally in their companies to accommodate/excite the new visitors?
13. Is there any expertise/new knowledge that you/local companies have developed internally during this process?
  - In terms of how the company is managed?
  - In terms of how the company processes are operated?
  - In terms of the resources used in the company?
14. What natural resources can be used in a new way to attract new visitors?
15. Can you give some examples of technological innovations that have been used throughout this process?

## Appendix 3: List of Respondents

<b>Respondent №</b>	<b>Profession</b>	<b>Business sphere</b>	<b>Company/Organization</b>
1	Manager	Food & Beverage	Art Food Corner Madeira
2	Project Manager	Government/Private	Startup Madeira
3	Cook & Hostel Manager	Hospitality	Hostel Jaca   Fractal (NGO)
4	Creative director/President	NGO/ Cultural Association	1. ARTE.M cultural association 2. Art Center Caravel
5	Managing Director	Tour guide	Madeira Sidecar Tours/Friendly tours
6	Community Manager	NGO	Madeira Friends International Community Association
7	Sales & Community Manager	Private company	Sangha Cowork
8	Regional Secretary for Tourism and Culture	Governmental organization	Governo Regional da Madeira (The Regional Government of Madeira)
9	Entrepreneur	Hospitality	Palheiro, PM Hospitality
10	Head of Innovation	Hospitality	Savoy Hotel
11	Hotel Manager	Hospitality	Pestana Hotel CR7