



FACTORS AFFECTING SMES BUSINESS RESILIENCE DURING THE FIRST COVID-19 OUTBREAK: EVIDENCE FROM ITALIAN YACHT-BUILDING FIRMS

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Abstract

Purpose: The business resilience literature provides several factors that help small and medium enterprises (SMEs) deal with situations of grave uncertainty. Yacht-building firms are a niche of SMEs, which play a key role within the local ecosystem, composed of SMEs and artisans. This research aims to understand the drivers of yacht-building firms' resilience when the Covid-19 pandemic started.

Design/methodology/approach: Focusing on a selection of Italian firms, we adopted a qualitative strategy, analyzing the data with the Gioia method. Five dimensions drove yacht-building firms' resilience: localized relationships, product attributes, organizational changes, internal capital, and a positive can-do attitude.

Findings: We present a unique finding: following the pandemic, yachts are considered a safe place, which contributed to firms' resilience. The paper offers several contributions to the literature and practical implications, answering a call for more empirical studies on the drivers of resilience among SMEs.

1. Introduction

The recent disruption in the market caused by a health crisis turned out to be dramatic not only for individuals but also for businesses and society as a whole. Big corporations, small and medium enterprises (SMEs), governments, and individuals were all affected by the Covid-19 pandemic (Pencarelli *et al.*, 2021). SMEs are particularly exposed to times of crises (Vargo and Seville, 2011), despite their extreme relevance in the European economy. While past research highlighted the need to investigate their resiliency (Bhamra *et al.*, 2011; Gunasekaran *et al.*, 2011), it is particularly relevant to understand which practical aspects drove SMEs' resilience within the Covid-19 pandemic (Hossain *et al.*, 2022). This research intends to investigate this issue, aiming to uncover the drivers of SMEs' resilience during the first Covid-19 outbreak with an industry-specific approach. To do so, we focus on the yacht-building sector, which requires hand-working and people's physical presence. This sector proved to be resilient in the past (Lazzaretti & Capone, 2010) and during the pandemic (De Ceglia, 2021) and is central within the local ecosystem of SMEs and artisans (Dana, 1999). Our research is set in Italy, as it was one of the countries first and most severely hit by the pandemic (Amore *et al.*, 2022) and for the importance of the yacht-building sector (Brun and Karaosman, 2019; Cavallini, 2014; Dal Maso and Lattanzi, 2014; Lazzaretti and Capone, 2010). As the Covid-19 pandemic is unprecedented regarding its scope and effects, we adopt an exploratory approach, conducting multiple case studies based on qualitative interviews (Kvale, 1983; Neergaard and Ulhøi, 2007) and web-based data to triangulate the findings (Yin, 2011). Our research provides insights about the drivers of resilience yacht-building SMEs in the first nine months of the Covid-19 outbreak. Specifically, localized relationships, product attributes, organizational changes, internal capital, and a positive can-do attitude are identified as five dimensions that promoted their resilience. Findings also show that yachts were seen as a safe haven for Covid-19, with firms anticipating increased demand. This paper contributes to the research streams that investigate SMEs' practical experiences and resilience in times of disruptions (Gunasekaran *et al.*, 2011; Kantur and İşeri-Say, 2012), with an industry-specific approach (Ali *et al.*, 2017) in the Covid-19 pandemic (Hossain *et al.*, 2022;). It also has implications for local and national policymakers: if a sector could be resilient during the Covid-19 crisis, it will benefit other SMEs, workers, and local communities.

This paper is structured as follows. First, we introduce the primary literature on SMEs' resilience in general and within the Covid-19 crisis; then, we outline our methodology, describing the empirical context, the study design, the data collection, and analysis. Last, we present our findings, discussion, and conclusions.

2. Previous findings

2.1 Business and SMEs resilience research

Born in 1973 in ecology (Alberti *et al.*, 2018), the concept of resilience is used in various disciplines, including metallurgy, physics, engineering, psychology, organizational and management studies (Bhamra *et al.*, 2011). In its broad meaning, resilience is the ability of a system to respond to changes and unpredictable events and return to a stable condition (Alberti *et al.*, 2018; Bhamra *et al.*, 2011). Since the global financial crisis, resilience has sparked renewed interest, particularly in terms of strategic and operational resilience management (Annarelli & Nonino, 2016). It also became a key topic of debate in the literature for SMEs (Kantur & Say, 2015). An SME is defined as a firm which employs “fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million” (Recommendation 2003/361/EC). SMEs constitute the backbone of the European economy, accounting for 99% of all businesses in the EU (Aleksic *et al.*, 2013). However, SMEs are particularly vulnerable during times of crisis (Vargo and Seville, 2011), and their ability to be resilient is of high relevance.

There is no current agreement on what resilience is and what components it entails (Duchek, 2020). The management and entrepreneurship literature usually considers three levels, distinguishing individual, firm, and community (or regional) resilience (Korber and McNaughton, 2017).

Research has focused on different perspectives, ranging from firms’ reactions to minor interruptions or severe disruptions due to external threats; short-term events (e.g., earthquakes) or long-term disruptions (e.g., economic downturns, or the Covid-19 pandemic); the ex-ante capacity of firms to face unexpected events, their adaptive capacity during hardship or their responses after a disruption (Korber & McNaughton, 2017; Linnenluecke, 2017).

Other frameworks identify three categories of conceptualizations used in the literature: resilience as an outcome, as a process, and resilience capabilities (Duchek, 2020). A different conceptualization argues that “resilient organizations absorb the changes that disruptive events bring and they evolve into better sensing capabilities with a wiser outlook” (Kantur and Arzu, 2012; p. 770). In this perspective, superior performance is not necessary to have a resilient firm, while an organizational transformation is essential (Kantur and Arzu, 2012). A specific field of research focuses on SMEs. Based on an empirical analysis of UK SMEs, Branicki *et al.* (2017) identified individual (e.g., social connections) and organizational characteristics (e.g., resources) as directly and indirectly linked to SME resilience. Key enablers of resilience, for Swedish SMEs, are identified as financial (availability of financial reserves and cash flow), availability of resources

(material assets) and external relationships with customers and suppliers, flexibility in decision making, manufacturing and distribution, as well as a continuous improvement and learning approach (Pal *et al.*, 2014). Geographical factors, including spatial proximity to other firms also play a role in the resilience of SMEs (Garmestani *et al.*, 2006). Still, several intangible factors matter to SMEs' resilience, including optimism, agility, fast decision-making, and situation awareness (Vargo and Seville, 2011). Another factor that can influence SMEs' resilience is family ownership and governance (Conz *et al.*, 2017).

2.2 SMEs during Covid-19

Research on the effects of Covid-19 on firms and their reactions expanded fast. While not explicitly dealing with resilience *per se*, many empirical papers have highlighted firms' first reactions to the arrival of Covid-19. The financial aspect is one of the first and most significant problems for SMEs (Bartik *et al.*, 2020), with some firms more affected than others depending on their debt and cash liquidity levels (Amore *et al.*, 2022). Among conceptual papers, Beninger and Francis (2021) summarized the resources relevant for building firms' resilience in the pandemic, which include financial, physical, social, natural, human, cultural, public, political, and health capital. Digitalization became a must for SMEs to survive the Covid-19 pandemic (Hossain *et al.*, 2022). It also increased efficiency and accelerated the adoption of Industry 4.0 technologies among SMEs (Juergensen *et al.*, 2020). The research suggested that reactions varied depending on size, with small firms at an advantage, as these firms were more flexible and reorganized their work more quickly (Eggers, 2020; Juergensen *et al.*, 2020). Family firms were also helped during the pandemic (Amore *et al.*, 2022).

Although academics and practitioners showed increasing interest in the research on firms' resilience, there has been limited research on SMEs (Gunasekaran *et al.*, 2011). Most research considered SMEs' resilience with a generic (non-industry specific) approach, while industry-specific perspectives are more rare (Ali *et al.*, 2017). However, the literature has argued that firms' resilience is path-dependent and its drivers can vary from sector to sector (Hillmann and Guenther, 2021; Linnenluecke, 2017; Ortiz-de-Mandojana and Bansal, 2016). Additionally, most papers on resilience mostly used quantitative or conceptual approaches (Alberti *et al.*, 2018), while there is a need for that empirical qualitative research, in particular among SMEs (Bhamra *et al.*, 2011). A particular concern is how a shock as the Covid-19 pandemic affected SMEs and what were their practical experiences (Hossain *et al.*, 2022). Therefore, our paper aims to answer the following explorative research question: *What are the drivers of SMEs' resilience during the first Covid-19 outbreak?*

Doing so, we also aim to answer the calls to investigate the concrete practices businesses undergo during crises in specific contexts (Duchek, 2020) and in different types of organizations (Sullivan-Taylor & Branicki, 2011).

3. Methodology

3.1 Empirical context

In this article, we aim to study the firms that experienced tough challenges during the Covid-19 pandemic and how they reacted. As the virus spreads through the air, sectors that need people physically working in the same place experienced major disruptions. Moreover, researchers have acknowledged that industries with more technical complex characteristics and global value chains were badly affected (Kwon, 2020). Regional dependency and the breadth of suppliers are examples of such complexities (Bapuji *et al.*, 2020; Kwon, 2020). We chose the yacht-building sector as it has the required characteristics: closed at the beginning of the pandemic and requiring the physical presence of people in the workplace, as well as the coordination of a wide range of suppliers and artisans. In fact, yacht-building is a form of business that is distinguished by fierce competition among regional yacht-building clusters. The yacht-building industry includes the construction of cruise liners of more than 24 meters in length (Blundel and Thatcher, 2005). The construction of yachts is arranged on an incredibly vast and diverse scale carried out in hundreds of work sets that a delay in one would affect many others (Ruuska *et al.*, 2013). On the other hand, yacht-building firms have many interdependencies with local and foreign suppliers (Brun and Karaosman, 2019), which are mostly composed of SMEs and artisans. Being a yacht-building firm requires coordinating external artisans with employees, who need to work on the premises, increasing the complexities and physical presence of people in the workplace. The mixture of highly technical processes and craftsmanship is a major issue that challenges yacht-building firms (Ponticelli *et al.*, 2013). This sector is highly dependent on artisans who create most of the yacht components manually.

Yacht-building firms combine a series of characteristics that may make them more resilient during a disruption. For instance, luxury firms are considered to be recession-proof (Savelli, 2011). Indeed, early results show that the yachting industry was highly resilient in the past (Lazzaretti & Capone, 2010) and the first year of the Covid-19 pandemic. For example, while the luxury sector's sales dropped by 20% overall, the yacht sector experienced a growth of 1-2% (De Ceglia, 2021).

However, only a few management researchers studied the yacht-building sector. One neglected aspect is the effect of exogenous shocks and cri-

ses, with only one article investigating the influences of the 2008 financial crisis on this industry (Merendino, 2013).

We selected Italy as our empirical context for two reasons. First, it is one of the countries most severely hit by the Covid-19 pandemic and one of the first countries to adopt policy measures to contain the spread of the virus (Amore *et al.*, 2022). Second, it is an important player in the global yacht-building industry, accounting for nearly 40% of global production in 2015 (Brun and Karaosman, 2019). Italy also accounts for many world-leading companies, collecting a market share of 47% and producing spillovers for the firms operating in the maritime sector.

3.2 Data collection and analysis

This study adopts an inductive approach, which allows for a theoretical framework to emerge from data (Thomas, 2006). In this sense, we follow the idea that qualitative research follows an inductive approach to build theory (Barczak, 2015). In our research approach, we assume that the individuals who create organizational realities are “knowledgeable agents,” that is to say, that people in organizations understand what they are attempting to do and can articulate their thoughts, intentions, and actions (Gerli *et al.*, 2012). Following this reasoning, we believe a qualitative approach based on expert interviews (Kvale, 1983; Neergaard and Ulhøi, 2007) is appropriate for three reasons. First, it allows us to study a current phenomenon in its natural setting (Yin, 2011). Second, it allows us to capture interviewees’ perceptions and experiences, giving “voice” to the participant (Bluhm *et al.*, 2011). Third, as the nature and scope of the pandemic as a specific type of crisis are unprecedented, a qualitative methodology is required to obtain an understanding of the phenomenon (Bluhm *et al.*, 2011; Graebner *et al.*, 2012).

We selected firms by means of a purposive sample technique (Guest *et al.*, 2006; Morse *et al.*, 2002). Secondary data was gathered for each organization in order to obtain a better understanding of the environment. Selected firms followed three criteria. First, firms should be active, mainly focused on yacht manufacturing, and relevant in their sector. We checked this criterion by triangulating multiple sources: AIDA (Bureau Van Dijk), a database which contains financial and commercial historical data from firms operating in Italy, websites, existing literature on the yacht-building industry (Cavallini, 2014), internationally recognized lists (2020 Global Order Book, Boat International), networks of nautical firms, and reports in local newspapers and news websites in relation to the first reactions to the Covid-19 crisis (e.g. early closures). The second criterion concerns the adherence of selected firms to the SME definition provided in previous reports (EU Commission, 2003). That is, we checked the number of employees and balance sheet of respected firms (see Table 1). Third criterion is

the willingness to participate in the study. We interviewed key informants such as top management members (e.g., CEOs or COOs) or area managers. In some cases, we contacted firms thanks to the authors' contacts in the industry. We developed a topic guide with broad open-ended questions, which were aimed at understanding how firms were impacted and reacted to the first waves of the pandemic. Doing so, we focused on how resilience can be achieved in practice (Duchek, 2020). We considered a firm resilient when it reached a better stance (Kantur and Arzu, 2012), as argued by respondents (Ali *et al.*, 2017).

The interviews, conducted by telephone and digital communication tools (Skype or Zoom), were all recorded with the respondents' consent. Before each interview, we sent each participant an outline of our research and information on the use of personal data. During the interview, we introduced ourselves and asked each question following our topic guide while asking for additional details following a semi-structured approach.

We contacted eighteen firms, out of which six accepted our requests. We performed eight interviews with key informants. The interviews lasted 35 minutes on average. The duration of two differs significantly from the average with the shortest lasting 10 minutes and the longest 55-56 minutes. Due to emergency work issues, the 10-minute interviewee informed us that she could not spend more time with us. Thus, we squeezed our question template to cover the most critical aspects of their management practices. Despite its short length, the interview helped us confirm that our data was reaching saturation, as the interviewee repeated concepts that were already discussed in detail in previous interviews. This confirms that collecting empirical interview data in crisis times can be problematic, as participants have less time to devote to such activities and this may lead to small sample sizes and interviewees, also made of four subjects or less (Herbane, 2010). Once eight interviews had been completed, we sensed that interviewees were repeating concepts, with the last two interviews adding few new insights. This is consistent with previous research, which states that theoretical saturation can start from six interviews (Guest *et al.*, 2006). Overall, we believe that the interviews are sufficiently informative to capture the phenomenon, and the sample size is consistent with the sizes used in times of crisis (Herbane, 2010). Additionally, we complemented the interviews with companies' websites and Google searches related to the yacht industry and resilience, to triangulate the data (Yin, 2011).

Table 1 presents an overview of the cases. The sample consists of five manufacturing firms plus one firm that acts as a service center, representing a relevant stakeholder in the yacht-building industry (case 6). Among the firms, four are established in the Viareggio cluster (Tuscany), one in Genoa (Liguria), and the other in Ancona (Marche). On a global scale, the Viareggio cluster is one of the most well-known mega-yacht construction

sites, also densely packed with various operations of product or service subcontractors (Lazzeretti and Capone, 2010). All of the manufacturing firms construct super-yachts over 24 meters in length.

Tab. 1: Sample profile

	Location	Age	Size (number of employees)	Turnover (2019)
Case 1	Genoa, Liguria	1974	30	27.335.811 EUR
Case 2	Viareggio, Tuscany	1973	6	21.347.813 EUR
Case 3	Viareggio, Tuscany	1978	15	32.071.343 EUR
Case 4	Viareggio, Tuscany	1985	45	43.984.911 EUR
Case 5	Ancona, Marche	2018	16	9.556.166 EUR
Case 6	Viareggio, Tuscany	2007	4	1.461.231 EUR

Tab. 2: Interview descriptions

Interviewee#	Case#	Date of the interview	Duration of the interview	Organizational Position
Interviewee 1	Case 1	12/05/2020 + 30/10/2020	23:34 + 40:15	CEO
Interviewee 2	Case 1	06/11/2020	29:15	Project Manager
Interviewee 3	Case 3	05/11/2020	37:16	CEO
Interviewee 4	Case 2	09/12/2020	43:00	CEO
Interviewee 5	Case 4	23/11/2020	09:37	CEO
Interviewee 6	Case 5	09/12/2020	43:52	CEO
Interviewee 7	Case 6	06/11/2020	55:18	Director

Interviews were transcribed word by word and were coded in an open manner (Corbin and Strauss, 2014) using Nvivo. Following Ali et al. (2017), we analyzed the data to uncover which factors or actions were associated with a positive impact on the firm during the first stage of the pandemic. Data was iteratively analyzed to uncover common themes and compared with previous literature (Miles and Huberman, 1994; Wolcott, 1994).

The first and second authors coded the interviews independently to develop first-order concepts. Then, we checked the codes and references to familiarize ourselves with each other's codes. We made another separate attempt to build second-order themes based on all the first-order concepts for the next step. We again checked the themes and decided to narrow down our analysis, following the Gioia method. In the end, the correspond-

ing author created categories (aggregate dimensions) based on the second-order themes, and then the authors brainstormed together to ensure that the aggregate dimensions were consistent with each of the corresponding second-order themes and first-order concepts. Finally, after some minor modifications we updated the final data structure.

4. Findings

Based on the responses from the interviews, we distinguish two stages of a firm's reactions to the crisis. During the first, when the terrible effects of Covid-19 became evident, the government decreed a lockdown, and firms needed to adapt to the temporary closures. In Italy, the first lockdown started on the 10th of March 2020, with an official decree limiting people's movements in the whole of Italy (Lazzerini and Putoto, 2020). All firms in our sample had an emergency online board meeting. Only one had already anticipated the government decision and decided to close before it became compulsory.

"We were already in February, we were one of the first companies frightened by the news, by our ignorance about the disease. We closed the company before any government decree came out, [...] because we were unable to guarantee the safety of the people who work with us" (Interviewee 3).

Having a small management board that also takes responsibility for carrying out administrative tasks increases the agility of decision-making. Being a family firm was also a precursor of agility. For instance, when asked whether family dimension played any role in decision-making, one of our interviewees responded:

"Yes it was immediate: when we saw that we could not manage it, my wife went to her father and said "we have to close because otherwise we are going to screw up". We made a statement to all the companies and our customers that we were closing until better times and will come back stronger when it reopens. In fact, after, we made up for lost time as much as possible. The reaction was immediate. I think that in a structured company, where there are partners, a board of directors, [the reaction was] imposed from above or it was slow, I think. We decided immediately." (Interviewee 3)

Further, these firms had to abide by the government protocols, plan for the opening period, and provide the basic necessities for their workers' safety. This urgency made them accelerate their planning not to lose more time after the announcement of openings. Thanks to digital solutions, they benefited from online meetings and all of them claimed the meetings held were more frequent and more efficient.

"During the lockdown we increased the board meetings instead of reducing them, using simple tools such as Zoom. [...] It had a positive impact, in the sense

that instead of having meetings at most monthly, because more than once per month is impossible for us to see each other on the board of directors, and I would say once every two months is the average in normal periods, during the lockdown period we had Zoom meetings I would say at least weekly, at least weekly.” (Interviewee 6)

Among the topics discussed at board meetings were the provision and supply of masks and sanitary materials, division of internal working areas to maximize protection, dedication, planning for the smart-work options of the administrative employees, and deciding to increase supply orders in case of another round of closures. Thanks to the *force majeure* clauses in the contracts with their clients, firms did not feel pressure to deliver their products. This was followed by new organizational practices and better (digital) infrastructure for the employees. During the second phase (from May 2020) and when they reopened their facilities, “hope” was the dominant feeling, and they had a positive mindset to compensate for the time lost:

“[...] Customers continued to trust us. Up to now we have not had serious delays, we recovered (the lost time) because then, let’s say a phase of optimism took over with the fact that we had reopened and the period of closure was recovered quite quickly.” (Interviewee 4)

Besides, another element prevalent among all of the firms was the “learning by doing” principle. Managers were open to experimenting in their firm. That is why, aside from the government directives, each of our sample firms tackled organizational practices differently.

“A designer we did not know before and we had never met in person became our point of reference. We have never worked with him before, we didn’t even know his modus operandi, we learnt it online without having any physical perception. But in the end things were fine, projects were finished and I hope we will see results in the future.” (Interviewee 2)

They also found out that making deals now requires some flexibility in meetings and dealing with clients. Therefore, they adapted to the requests of their potential customers. Their positive attitude towards adaption opened up new channels in customer relationships. One of the firms traveled to another EU country with all the equipment and booked a hotel exhibition salon to present their products to their client. One firm brought a newly produced yacht to the client, who could not move due to lockdown. Most of the firms moved their presentations online following requests from their clients.

“We took a van, we loaded all the stuff in the car, and since he (the client) was passing by Berlin, from Munich, we left in the morning at 5. At noon we were in Munich, he rented a hotel room. I made our showroom in Munich, I recorded everything, marked everything and we went back. So one thing that could have been done in Viareggio, we had to move with all the stuff, with all the logistical problems: border drivers, move the stuff, etc. And the change ... as people’s lives

change, the way of working also changes. " (Interviewee 3)

We observed that experience of previous crises could not help, because there had been nothing comparable to Covid-19 previously. While the perception of uncertainty was high, most of the managers' sentiment was optimistic concerning future demand. This was, on the one hand, because of the product being resistant to crises, with yachts taking up to two years to be delivered.

"At least we and those who produce boats over a certain size, have very long production times. So if there are no problems from a contractual point of view, our products can also be made in two years, three years, and this allows (time for) the crisis to pass. " (Interviewee 1)

On the other hand, yachts are considered safe and secure closed spaces to protect people from the virus.

"I think that customers have an idea of the boat as a protected area, so compared to a tourist resort of large hotels with a lot of people, the boat is all in all like the house, it is a safe, closed place that can be easily sanitized, and where in any case there is access to a small number of people, a bit like holidays in a second home." (Interviewee 4)

Most of the managers believed that to make the business perform well, the artisans and suppliers should receive their money regularly without any delay. However, firms made some changes in the ways they related to their suppliers to avoid disruptions, as they continued to support them. Besides, three yacht builders had the same approach towards their employees. Therefore, they were paying the employees without hesitation without having an additional income. This helped in the moment when operations restarted.

"We put ... we practically communicated that we were on "cassa integrazione", but we continued to pay salaries as if we were in attendance, right? Then after we were recognized part of the "cassa integrazione", not all of it. For us, for the people who worked with us directly, nothing has changed." (Interviewee 3)

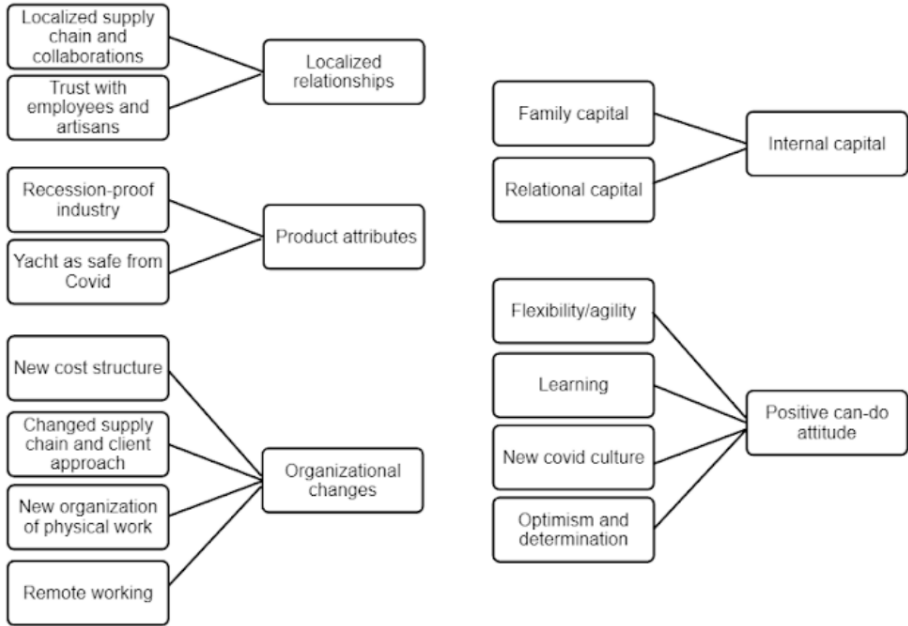
However, they recouped a part of their costs as they could not participate in international exhibitions. One of the managers explained the cost of transporting the yacht and performing a physical exhibition was considerable, and the possibility of demonstrating their products in a virtual mode was a great way to save on costs. Therefore, the cost structure became disrupted as the marketing plan also changed. Some firms saw positive environmental externalities in this approach that could also be applied after the pandemic.

"Let's say that the value of the virtual has emerged, here it is not that no activity has been carried out, but it weighed economically much less and perhaps it also questioned participation at boat shows as a symbol of marketing; perhaps more can be done, while having less environmental impact at the same time." (Interviewee 4)

5. Discussion

The five main dimensions fostering yacht-building firms' resilience are depicted in Figure 1.

Fig. 1: Second-order themes and aggregate dimensions (Gioia method)



We explain each of them below.

1) Localized relationships

We propose a dimension of “localized relationships”, which is composed of two themes: “Localized supply chain and collaborations”, and “Trust with employees and artisans”. Thanks to spatial proximity with suppliers and artisans), the supply chains of firms located in the Viareggio cluster were not disrupted. When production restarted, firms could virtually base their whole production process in Tuscany, thus they were less affected by closures and disruptions. We confirm the role of the local ecosystem, the territory and spatial proximity in firms' resilience (Dana, 1999; Garmestani *et al.*, 2006), and the role of social capital (Beninger and Francis, 2021; Braniccki *et al.*, 2017). Second, the feeling of trust and responsibility towards suppliers and employees translated into the firms' commitment to fulfilling their obligations, by continuing to pay their suppliers and employees even

if they had to stop working. Providing support to stakeholders translated into stronger bonds when production started again. We confirm that this sense of solidarity is a source of resilience of yacht-building SMEs, underscoring the strong ties between them and their communities (Beninger and Francis, 2021).

2) *Product attributes*

We confirm that yacht-building firms are recession-proof (Savelli, 2011), which was also the case in the Covid-19 crisis: respondents argued that the pandemic's effects would show in a couple of years (theme "Recession-proof industry"). We add to the literature a unique finding: yachts are now considered a safe haven due to the pandemic and their demand is expected to rise. We labeled this theme "Yacht as safe from Covid". Yachts are seen as safe and secure places, not only because they provide distance from other people, but also because the fear of death during a pandemic encourages those with the financial means to spend their money while they can. This suggests that some yacht-building firms could emerge even stronger from the Covid-19 crisis.

3) *Organizational changes*

We labeled "Organizational changes" an aggregate dimension that includes internal changes in how the firms carry out their activities. This is composed of four themes: "New cost structure", "Changed supply chain and client approach", "New organization of physical work" and "Remote working". First, most digitalization resulted in a lighter cost structure, with the firms able to reduce their costs related to marketing, promotional activities, fairs, and exhibitions. Second, firms changed their approach to their suppliers and clients, as the literature anticipated (Juergensen *et al.*, 2020). We found multiple ways yacht-building firms tackled this issue, by ordering materials in advance and buying more supplies, thus confirming the trend of accumulating more resources to deal with disruptions. Some firms changed their relationship with clients and suppliers, by bringing the products to clients and collecting materials from suppliers. Third, all firms reorganized the work in the shipyards and offices. To combine physical presence with social distancing, firms applied several changes to their *modus operandi*, which include: separating employees and artisans working in different areas, increasing coordination, new safety rules, cleaning, reorganization of the spaces, and longer working hours and remote working. The shift to remote working increased efficiency, with employees learning to work in a more targeted and coordinated manner. Thus, we confirm the role of new organizational configurations, the crucial role of digital tech-

nology to deal with the pandemic (Hossain *et al.*, 2022; Rapaccini *et al.*, 2020), and the subsequent increase in efficiency (Juergensen *et al.*, 2020).

4) *Internal capital*

We labeled this dimension as an aggregate of two themes: “Family capital” and “Relational capital”. Our family firms acknowledged that being a family firm was an advantage in rapidly taking decisions, in being aware of their financial flexibility, and was a driver for stronger bonds with their suppliers.

Thus, we confirm that the family status was an advantage, thus confirming previous research (Amore *et al.*, 2022; Conz *et al.*, 2017). However, in non-family firms, a small management team and long-term relationships between the management and the governance acted as facilitators for rapid decision-making in the crisis. This confirms the empirical evidence that flat decision-making structures are an advantage in critical situations (Eggers, 2020; Juergensen *et al.*, 2020).

5) *Positive can-do attitude*

We labeled “Positive can-do attitude” as our fifth dimension, including four themes: “Flexibility / agility”, “Learning”, “New Covid culture”, “Optimism and determination”. First, we confirm that flexibility and agility are essential to adapt organizational routines as new problems arise (Pal *et al.*, 2014). Second, we confirm the role of learning (Pal *et al.*, 2014). This included becoming familiar with digital meetings and applying the Covid-19 related safety measures. For yacht-building firms, this also included discussing design issues in remote, which appeared challenging at first. Third, we labeled one theme as “New Covid culture”, as the new measures concerning Covid-19 entered firm culture. While one firm maintained that they now deal with Covid-19 as with any other risk, most respondents said that Covid-19 is now part of the culture of the firm, with employees knowing that if they experience any symptoms or have been in contact with people who are positive, they automatically stay home, and work remotely if possible. Thus, a cultural shift in the Covid-19 crisis is actually happening, and it is helping firms continue their activities as fast and efficiently as before. Last, the theme “Optimism and determination” refers to aspects such as the sea-culture in managing crises, which is somewhat consistent with what Beninger and Francis (2021) called “cultural capital”, and the optimism that pervaded the workforce soon after the lockdown ended and activities could start again. In line with previous research (Vargo and Seville, 2011), optimism and determination gave the firms a boost, allowing them to (more than) make up for lost time.

6. Conclusions

This research aimed to identify the drivers of SMEs' resilience during the first Covid-19 outbreak, focusing on the yacht-building sector. We find five dimensions that drive yacht-building firms' resilience: 1) localized relationships, 2) product attributes, 3) organizational changes, 4) internal capital, and 5) a positive can-do attitude. More specifically, our findings show that several factors determined firms' ability in this sector to cope and react to the Covid-19 crisis: 1) spatial proximity with suppliers and artisans, and a sense of trust and responsibility; 2) the recession-proof characteristics of the sector, and clients considering the product safe from the virus; 3) cost reductions due to digitalization of work, changed relationships with suppliers and clients, the use of safety equipment, cleaning, more coordination and rotation of employees actually working in the shipyards, and remote working; 4) internal capital and short decision-making lines; 5) a flexible approach to unprecedented problems, continuous learning of digital skills and safety routines, the absorption of a new safety culture due to Covid-19, and optimism.

We identify the aforementioned drivers as those that helped the firms to absorb the events and evolve into better structures (Kantur & Arzu, 2012). The qualitative generalizations that arose from the study of specific SMEs active in the yacht-building sector in Italy indicate that family nature can improve the reaction to crises (Amore *et al.*, 2022; Conz *et al.*, 2017), but tight relationships between the ownership, governance and management have similar effects (Juergensen *et al.*, 2020; Eggers, 2020). We also confirm the importance of optimism (Pal *et al.*, 2014; Vargo and Seville, 2011), as well as proactive behavior and a positive can-do attitude. The local ecosystem, networking and geographical proximity are consistent with our 'localized relationships' theme. This confirms the importance of SMEs' relationships with their suppliers, clients, employees, and local institutions (Beniger and Francis 2021; Dana, 1999; Garmestani *et al.*, 2006). Finally, continuous investment in digital technologies and skills became crucial, as anticipated (Hossain *et al.*, 2022; Rapaccini *et al.*, 2020).

Being based on multiple case studies, this paper makes analogical generalizations, which means that the insights that are common for the analyzed cases may also be adaptable to analogous firms (Parker and Northcott, 2016).

This paper brings some implications for managers. First, managers must invest in learning and the continuous development of flexibility and agility as part of their employees' skills, as well as foster a positive can-do culture at work. They must also improve their relationships with their suppliers, customers, employees, and local institutions. The results show that trust-based relationships helped both parties cope with the initial disruptive phases and became stronger bonds when production resumed.

Furthermore, firms must strengthen internal social capital, i.e., establish close relationships among ownership, governance, and management. That is, restructuring the governance structure and making it lighter would improve decision-making processes, ultimately increasing agility and resilience. This paper dealt with some limitations. First, the findings of this paper may not be generalizable to other countries. It may be worthwhile to investigate how similar firms in other countries dealt with the pandemic. Second, as the interviews took place at the beginning of the pandemic, the number of firms available for interviews was very limited, which is consistent with conducting research in times of crisis (Herbane, 2010). Third, the interviews were recorded in a specific moment in time at the beginning of the pandemic. Thus, our research only captures the first reactions to it, but it does not consider subsequent actions or their long-term effect. Future research could take advantage of these limitations. A promising research stream would be to investigate the reactions and resilience drivers to Covid-19 in a wider sample of SMEs, also including insights on the medium-term consequences.

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