

**DEPARTMENT: ECONOMICS AND BUSINESS**

Chair: Management

**FAMILY BUSINESS IN ITALIAN SHIPYARDS: AN  
OVERVIEW ON CANTIERI NAVALI CODECASA'S  
SUCCESS**

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*To my parents*

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## **ABSTRACT**

The Italian recreational boating sector holds great national importance in several aspects, and it is universally recognized as one of the flagships of the made in Italy. From a purely economic point of view, it represents a thriving and solid market that employs a considerable amount of people, capable of resisting uncertain times and crisis with ease. From the point of view of traditions, it represents a sort of collective legacy for the various shipyards, places where techniques combine research and technology with craftsmanship and manual skills. Often carried on by multiple generations of a family, shipyards also witness the crucial nature of Italian family business. Codecasa Shipyards encapsulate all the aspects listed above, having been active for almost two centuries, and having handed down techniques and traditions from generation to generation, consolidating themselves as the Italian masters in the production of steel yachts over 25 meters.

The purpose of this thesis is to analyse the managerialism and leadership that the Codecasa family applies to their company, aimed at understanding whether they will once again be able to survive the generational change, which will happen when the historical leader Fulvio Codecasa decides to retire.

In order to carry out this analysis, this paper will firstly analyse the global boating market, which, having recently recovered from the 2008 crisis, had to suffer the various Covid-related crises.

Next, this paper will investigate the Italian recreational boating market in depth, with particular emphasis on the boating fleet, turnover and exports.

Consequently, after introducing and defining the family business and its attributes, including the succession dilemma, this paper will examine two of the three components of the Codecasa Group, Cantieri Navali Ugo Codecasa S.P.A. and Cantieri Navali Codecasa Tre S.P.A.. This analysis is made possible thanks to quantitative data provided by the Chamber of Commerce of Lucca and by Dr. Ezio Vannucci, founder partner at Moores Rowland, and one of the major experts of the Italian yacht market.

Lastly, this paper will have an in-depth look at how the Codecasa Group business is managed, relative to family relationship and the succession plan. For what concern this analysis, this paper will answer thanks to a questionnaire developed by Masciarelli F. and Prencipe A. as part of their succession dilemma study, and drafted by Ennio Bonomo, CEO of the Codecasa group. The questionnaire, divided in 5 sections, provides a glance at all the various aspect regarding the family business, starting from the relationship and communication between family members

running the same enterprise, continuing with an analysis regarding the entrepreneur who is currently managing the enterprise. The last part of the questionnaire represents a crucial aspect of this research, since it provides a detailed examination on how the Codecasa Group will deal with the succession dilemma. Thanks to this analysis it will be possible to evaluate if the firm will be able to experience a successful generational turnover once again.

## INTRODUCTION

Family business represent for most of the world's countries a crucial aspect for both their economy and their culture preservation. Nowadays family ran business are facing new challenges and issues, but there is one that has always been part of it: generational turnover. Generational turnover happens when either the founder, or the descendant entrepreneur in charge retires and gives the control of the firm in the hand of its progeny or heir. The succession dilemma is often responsible for the sale or, in worst cases, the bankruptcy of the family firm. Being raised in Viareggio, worldwide recognized as the epicenter of superyacht production, I have always been very fascinated by the luxury vessels that are built less than a kilometer from my house. Viareggio's shipyards are some of the most renowned in the world, and surely represent a distinct trait for Italian craftsmanship, design and luxury. Being mostly family held, shipyards gained a huge importance in the Italian family business environment, since they embrace all the aspect (power, experience and culture) of the F-PEC theory formulated by Astrachan.

As previously stated, the succession dilemma represents a notable risk for family ran business, but the burden is even heavier in the shipyards industry. That is mostly due to the high risk to which boat builders are designated. In fact, the high production costs that characterize is also the most common reason why yacht builder run out of business. Notable example is the Benetti case, when they were asked to build what is considered the first superyacht in history. In order to build the M/Y *Nabila*, Benetti had to invest a huge amount of money, and when the shipowner failed to pay, it resulted in the bankruptcy of Benetti shipyards.

Nevertheless, there is one notable shipyard that, in almost 200 years, managed to remain in the hands of the same family: Cantieri Navali Codecasa. The case of Codecasa represent an exception in the shipyard environment, having successfully carried out five successions, and is now heading for the sixth. During these five successions, each inheritor managed to bring innovation in the business, and integrated new technologies with traditions.

This thesis will firstly take a glance at the global recreational boating industry, analyzing the effect of the 2008 crisis recovery, and the subsequent Covid-19 crisis.

Secondly, relying on data provided by Confinsudtria Nautica through their report "Boating in figures", this paper will examine in depth the boating industry concerning Italy alone, focusing on the boating regulation, boat park and boating facilities, and lastly, this paper will take a look at the financial data concerning the Italian marine industry.

In the final chapter, the core analysis of this paper will be developed through 2 steps. At first, this paper will define the concept of family business, taking in account the major theories regarding the characteristic of family-owned business. After having defined family business, this paper will analyze the succession dilemma, since, as previously stated, it represents one of the main threats toward family ran firms.

Lastly, this paper will provide a deep-through analysis of Cantieri Navali Codecasa's success. After having taken a brief glance at the shipyard's history, an analysis concerning corporate details will be carried out, regarding the two yacht's site of production, Cantiere Navale Ugo Codecasa S.P.A. and Cantieri Navali Codecasa Tre S.P.A., thanks to data provided by Camera di Commercio di Lucca and by Dr. Ezio Vannucci, a leading expert in the Italian luxury boating industry. In order to better understand the succession dilemma, this paper made use of a questionnaire developed by researcher Masciarelli F. and Prencipe A., especially intended to analyze firms that are forthcoming in generational turnover. The answers to the interview are provided by Codecasa Group CEO Ennio Bonomo, dated September 2022.



## CHAPTER ONE: THE EVOLUTION OF YACHTING

### 1.1 Yacht definition, characteristics, and types<sup>1</sup>

When discussing navigation, it is important to mark the difference between merchant navy, which is defined as the set of infrastructures, institutions, authorities, port facilities and all ships used for commercial nautical traffic, military navy, that is an armed force of the marine component of a state, and leisure boating (or simply boating), which is defined as boating performed for sporting or recreational purposes carried out on board ships, boats or yachts. Recreational boating is an extremely broad term that comprehends almost any kind of floating mean of transport, from man-powered dinghies such as kayak or canoe, to wind-powered boats such as sailing ship, and motor-powered vessels such as fishing boats and yachts. Starting from the beginning of the 20<sup>th</sup> century, with the rise in number of the middle-class, leisure boating has gained popularity all over the world, mainly for the various option a consumer can choose. In fact, according to their budget, potential boater can range from cheap rowing vessels that may cost less than 100 dollars, to six figures boats usually called yachts. The main objective of this thesis will be focused on yachts and sailing yachts, but what exactly is defined as *yacht*?

The Oxford Companion to the Ships and the Sea dictionary defines yacht as such: “YACHT, from the Dutch jacht (p.p. of jachten, to hurry, to hunt), originally a vessel of state, usually employed to convey princes, ambassadors, or other great personages from one kingdom to another. (Falconer, Marine Dictionary 1771); later any vessel propelled by either sail or power used for pleasure”. The main distinction between a boat and a yacht is usually found in the luxury features that characterize yachts. Yachts are usually large enough to accommodate some form of sleeping quarters (cabin) for overnight cruising, as well as a kitchen and bathroom. They are also large enough to require a crew, whose duty and responsibility usually cover all the main aspect of yachting, from the captain navigating the yacht to the chef cooking for the passengers, marking once again the difference from smaller boats, that are usually meant to be driven by the owner. With that said, yachts are not always characterized by luxury amenities. For instance, yachts designed for fishing and other water sports have a sporty appearance and more powerful motor to reach higher speeds. The design of the materials utilized to construct the construction also differs. Since the 1950s, the most used materials were wood and steel. In

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<sup>1</sup> The analysis of this section has been performed through the data provided by Pezzini Carlo, “Viareggio dall’ascia all’acciaio storia della cantieristica e della darsena viareggine” Viareggio: Pezzini Editore ;by <https://www.insider.com/how-yachts-are-made-2016-11>; by <https://www.boatinternational.com/yachts/luxury-yacht-advice/traditional-yacht-building-methods> and by <https://vanisleamarina.com/when-is-a-boat-a-yacht/> . Unless otherwise indicated data, tables and figures refer to these sources.

fact, wood<sup>2</sup> represents an excellent combination between cost and future maintenance, and it is employed mostly for boats less than 24 meters long. Wooden yacht is an eco-friendly solution as it is a material that does not release harmful substances into the sea. For the construction, waterproofing joints or marine woods are used, specially designed to prevent water and humidity from penetrating. Then we have metal yachts that leave something to be desired in terms of performance, while they withstand the shock wave caused by the sea. Aluminum yachts, on the other hand, are made through aluminum alloys which have good durability over time and are very easy to repair. Currently the choice of materials falls on the composite material, which is used for most of the modern yachts. The composite material is formed by a series of non-homogeneous materials, which are:

- Fibers: The most used for the construction of a yacht are fiberglass, Kevlar fiber and carbon fiber. Based on the combination and the different weaving, a distinction is made between: mat weaving, unidirectional weaving, 0 ° / 90 ° weaving, multiaxial weaving;
- Resins: They are very viscous and resistant materials, giving the yacht's surface adequate safety. The most used resins for the construction of yachts are: polyester resin, polyester-based vinyl ester resin, epoxy-based vinyl ester resin, epoxy resin;
- Pre-peg: We are talking about a cutting-edge material made up of phenolic resins, distributed evenly on the surface.

As previously stated, yachts differ from one another also for their intended purpose. Size is generally the most common factor in giving a boat the status of "yacht". Normally, we tend to consider most pleasure boats over 10 meters in length as “yachts”, but this is only a basic requirement. There are also yachts that are well over 10 meters in size and that is why they deserve their own classification based on lengths, as these usually make a big difference. Distinguishment in size are categorized in 4 types of yacht:

- Yacht: boats from 10 meters in length up to 24 meters in length.
- Large yachts: yachts from 24 meters in length up to 40 meters in length.
- Super yacht: yachts over 40 meters in length up to 60 meters in length.
- Mega yacht: yacht over 60 meters in length.

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<sup>2</sup> <https://www.boatinternational.com/yachts/yacht-design/the-construction-of-modern-wooden-superyachts>

Apart from size, a more precise method used to identify yachts is based firstly on propulsion, design and intended purpose. In this case there are three macro-categories, sailing yachts, motor yachts and hybrid yachts.

### **1.1.1 Sailing yachts**<sup>3</sup>

Sailing yachts are vessels characterized by the use of wind as propulsion method, therefore they do not require the use of a powerful engine. Most of the sailing yacht do actually have a motor, which is mostly used near and inside ports, for more precise maneuvers. Sub-categories of sailing yacht comprehend:

- Classic sailing yacht:

Classic sailing yachts are wind-propelled ships that are either built before 1970, or the design resembles that of vintage sailing boat.

- Cruising sailing yacht:

Cruising sailing yachts have high lengths and are meant for long voyages. For this reason, on-board comfort takes precedence over cruising speed. As they are specially designed to sail for days, they have enough space to store a large number of supplies.

- Multihull sailing yacht:

Multihull sailing yachts, as the name suggests, have more than one hull. They can in fact have two (catamarans) or even three hulls (trimarans), although the latter are less common. Both have more space than monohulls, being equipped with a much larger beam and therefore a greater sense of habitability and an improved stability.

### **1.1.2 Motor yacht**<sup>4</sup>

Motor yachts are vessels propelled by the power of an engine. Sub-categories of motor yachts comprehend:

- Motor cruising yacht:

Motor cruising yachts prioritize space and comfort over speed and performance, although these characteristics sometimes go hand in hand. With the aim of creating a structure as comfortable as possible, they have large rooms to allow overnight stays on board. They are equipped with all the necessities you might need and their design is often refined and cared for in every detail. Their hulls are plane and are powered by one or more engines.

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<sup>3</sup> <https://www.marineinsight.com/naval-architecture/types-of-sailboats>

<sup>4</sup> <https://www.superyachtimes.com/yachts>

- **Open Yacht:**

Open yachts are a very common type of day cruiser. They typically feature powerful inboard engines, directional fins, adjustable sinker for wake control, and a wide range of accessories and customization details.

- **Sport fishing yacht:**

There are several types of sport fishing boats on the market. In this case, we could consider as yachts those that exceed 10 meters in length, usually reaching a maximum of 15 meters. Sport fishing yachts offer wide beams and great stability, plenty of space, high and deep bows to protect from waves and cushion impacts, as well as sterns with good buoyancy for maximum comfort.

Common design features for motor yachts are:

- **Classic Motor yacht:** a boat constructed before the 1970s. A classic motor yacht could also be a recently built boat with retro styling.
- **Sedan:** type of yacht with decks that resemble that of a coupe sportscar. The living area of the saloon yacht is enclosed, single floor, with the cabin usually placed below the deck.
- **Flybridge:** a type of yacht that has an open deck and more comfortable living space above the main bridge
- **Tri-Decks:** a yacht with three stories
- **Expedition Yachts:** Created to travel long distances, designed with a sturdy hull to be able to navigate even in remote areas. Additional features are superior storage space, given the autonomy of navigation and the possibility of spending long periods on board.

## 1.2 History of boating<sup>5</sup>

### 1.2.1 From *jacht* to *yacht*

The English word yacht, which comes from the Dutch "*jacht*," is said to have been invented by King Charles II when he ascended to the throne in 1660. The Dutch Royals gave him the "Mary," a 100-ton *jacht* that was eventually sailed to England, as a present. The definition provided by the 1771 Falconer's dictionary gives a special meaning to the term yachts, defined as very large boats in whose hull are housed numerous rooms, lounges, and chambers, equipped with excellent finishes to be placed at the disposal of officially visiting royalty and their family members. The idea of a yacht as a luxurious and private watercraft has existed for thousands of years, despite the fact that the word "yacht" was only first used in the 17th century. The Great Pyramid at Giza contained the royal barge that Pharaoh Cheops had erected around 2500 BCE. Later, the Ptolemies and particularly Cleopatra ordered the usage of royal barges for official events. We know almost little about boats of any kind throughout the Greek era, but royal yachts reappear in the Roman era, including the royal barges that the deranged Caligula used for recreation and simulated warfare.

Reliable records of sailing in the Mediterranean don't really start to appear again until the early 19th century. In 1720, the constitution of the first *yacht club*, the "Cork water club", was partially successful, despite still being too related with the military navy. Percy B. Shelley and Byron shall be considered among the first having documented a leisure travel aboard a yacht, and must be credited for having advertised other aristocrats about yachting. With that said, yachting remained an extremely rare sport and leisure activity throughout most of the XIX<sup>th</sup> century. The first power boats were enormous steam-powered mansions that affluent owners kept as private means of transportation; similar to what Dutch owners had invested in almost two centuries before, but on a much bigger scale. But the internal combustion engine, which was invented by the end of the 19<sup>th</sup> century, fundamentally altered everything. In 1885, the famous German automaker Gottlieb Daimler introduced a motorboat. Notable yacht built before 1950 are the M/Y *El Mahrousa*, a 150 meters long steam powered yacht built in 1865, the M/Y *Madiz*, a 45 meters motor yacht built in 1902 featuring the first iron hull, and the M/Y *Savarona*, 136 meters built in 1931. After the Second World War an increasing number of small

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<sup>5</sup> The analysis of this section has been performed through the data provided by Pezzini Carlo, "Viareggio dall'ascia all'acciaio storia della cantieristica e della darsena viareggine" Viareggio: Pezzini Editore; by Clark Arthur Hamilton "The History of Yachting 1600-1815" New York: The Knickerbocker press, 1904; by Heikell Rod "The Gift of a Sea: A Short History of Yachting in the Mediterranean" Norfolk: Taniwha Press. Unless otherwise indicated data, tables and figures refer to these sources.

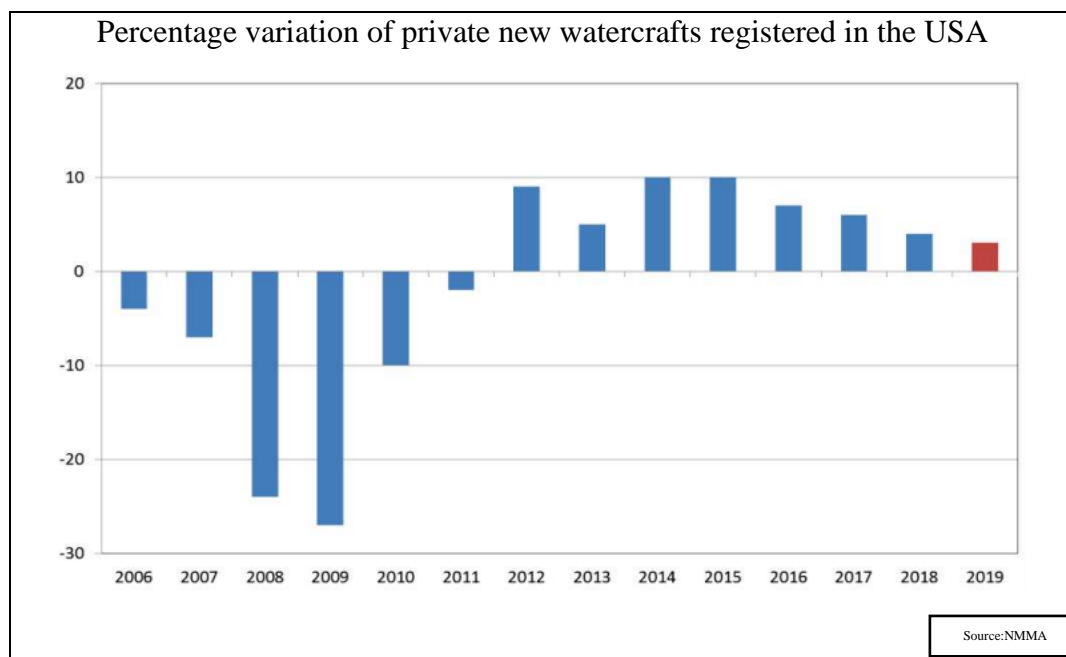
yachts began to cruise the Mediterranean. Right up until the Sixties a voyage to the Mediterranean was an adventure equal to a voyage to the South Seas or the Caribbean, not in distance and days at sea, but in the sense of adventure that offered a sense of exclusivity. In the late Sixties the number of charter boats began to gradually increase. Starting from the 70s, yachts began to be designed in more sport-looking and sharp layout, defining the future of yachts. Today, yachts have continued to be developed with advances in technology and materials depending on the intended use. Modern boat hulls are made from much lighter materials like fiberglass, while certain classic boat enthusiasts still insist on wooden hulls. Hull designs vary depending on the manufacturer and type of the boat. The most notable innovations comprehend computer operated winches on sailing yachts, an auxiliary engine to power the alternator, solar powered generators, GPS systems, radar, electricity, tender storage and joystick steering.

## 1.3 The present and future of boating

### 1.3.1 Pre-covid boating industry overview

#### Global boating market<sup>6</sup>

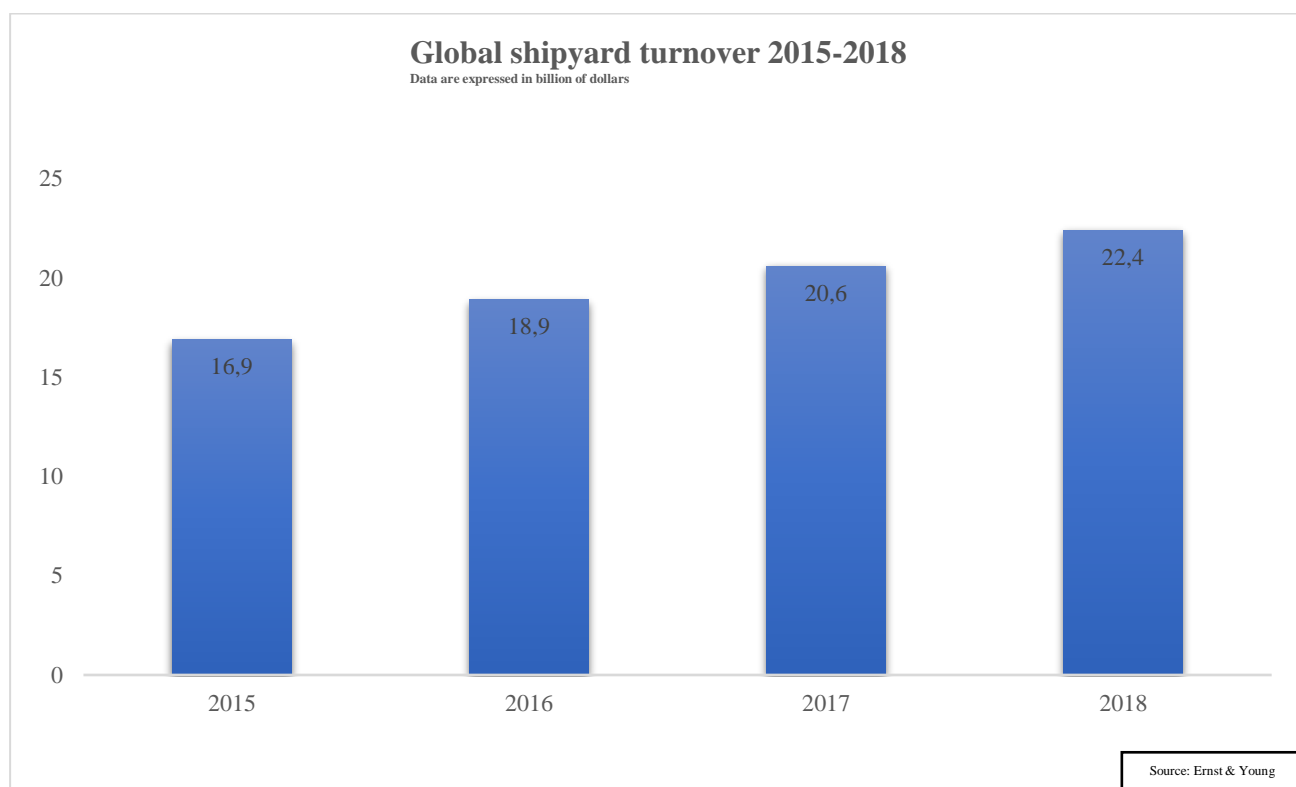
The global boating market was facing a mild crisis at the beginning of 2005, and after the 2008 economic crisis, the global leisure boating market experienced a period of instability and recession, that lasted until 2016. In the USA, approximately 135,000 jobs have been lost in the recreational marine industry between late 2005 and 2011, according to NMMA President Thom Dammrich. Around 180 plants shut down in 2008. Additionally, according to the NMMA, sales of new boats and engines were \$11.2 billion in 2008, down 22% from 2007 due to restrictive credit, low demand, and unfavorable economic conditions. Unit sales fell across the board, with the number of new boats sold falling by 16%. According to the NMMA, aftermarket accessory sales fell by an anticipated 8% to \$2.4 billion in 2008 compared to 2007.



<sup>6</sup> The analysis of this section has been performed through the data provided by CNA Produzione Nautica: “Dinamiche e Prospettive di Mercato della Filiera Nautica del Diporto”, 2019; by ICOMIA; by [www.nmma.org/statistics/publications](http://www.nmma.org/statistics/publications); by Confindustria Nautica “La nautica in cifre”, 2019 and by Yachting and Nautical Tourism in Italy: An Analysis of the Sectors from the Years of Maximum Expansion to the Years of Deep Crisis by Enrico Ivaldi, Journal of Empirical Economics Vol. 2, No. 1, 2014, 29-45

Starting from 2016, the global boating market experienced a rapid growth, that peaked in 2018. In fact, as of 2019, ICOMIA (International Council of Marine Industry Associations), European boating industry and British marine attested that:

- Globally there are about 100 thousand active nautical companies
- Over one million people are directly employed by boating activities
- 33 million recreational vessels are present in the world
- A total of about 25 thousand buildings registered as Marina and/or nautical accommodation facilities
- A 42 billion dollar<sup>7</sup> turnover in the USA, 6 billion USD in Italy, 5 billion USD in France and 3.2 billion GBP in the UK.

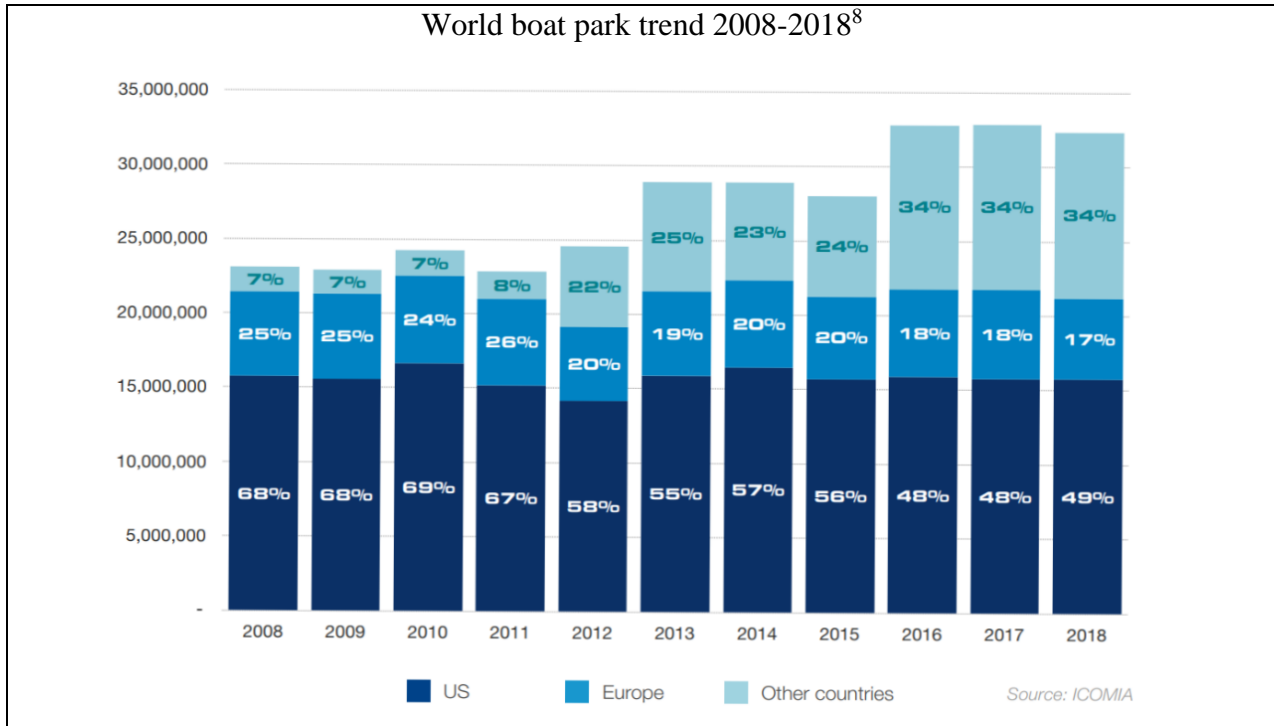


The persistence of a strong worldwide economic climate characterized by low inflation, historically low interest rates, booming equities markets, and favorable tax rates appears to be what fuels consumer confidence and spending in the marine sector. The "plus" sign represents the more established markets of the global boating industry, which are North America and

<sup>7</sup>Data provided by ICOMIA (International Council of Marine Industry Associations), by European boating industry and by Cebr report "The economic contribution of the UK leisure marine industry" for Maritime UK.



Europe in first place, as well as the operational results of the key producer groups in top-producing nations such as Italy, France, Germany, and the United Kingdom. The financial gains made by these countries in 2017 and 2018 have resulted in a lot of investments in research and technology, as well as the restoration of numerous employment lost during the crisis.



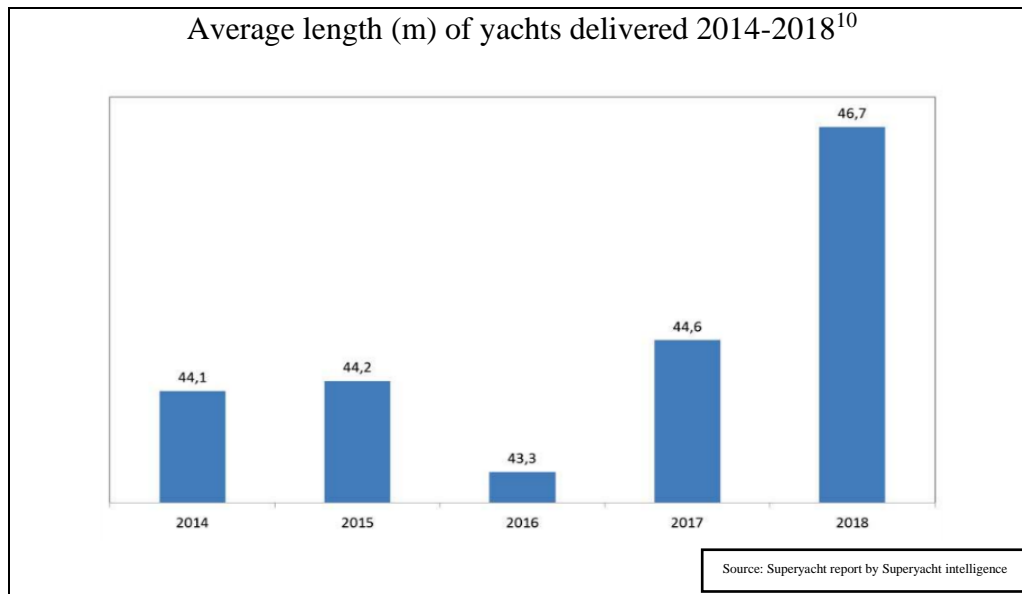
## Yacht market

In 2019, the yacht industry definitively overcame the crisis, thanks to a lively market both in new constructions and in the brokerage of chartered fleets. According to a study conducted by Technavio<sup>9</sup>, the global luxury yacht market was anticipated to grow at a compound annual growth rate (CAGR) of 12% in 2019. Moreover, there has been a significant number of new orders which are still growing in average size. The recourse by many shipyards to the production of yachts without yet the customer's order is a positive sign of optimism about the evolution of market demand, referred as *order on speculation*. In fact, a basic feature of the yacht market is the attention on the part of the customer in customizing his vessel. Since 2014 the average size of delivered yacht has been constantly increasing. The trend for bigger yacht started in the early 2000s, with the construction of the M/Y “Dubai”, and continued with other

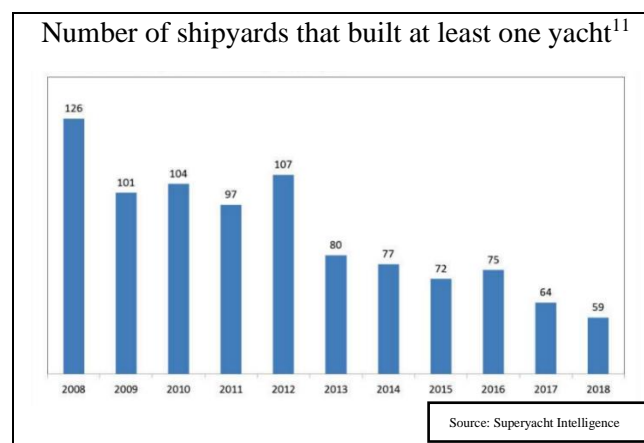
<sup>8</sup> Data provided by ICOMIA and elaborated by Confindustria Nautica

<sup>9</sup> <https://analysis.technavio.com/report/yacht-market-industry-analysis>

gargantuan yacht such as M/Y “*Eclipse*” (2010) and M/Y “*Azzam*” (2013). The graph below shows the increase in the average length of yachts delivered between 2014 and 2018.



The biggest effect on the yacht industry of the 2008-2016 crisis has been the considerably large reduction of yacht builder. The decrease in the number of shipyards producing large yachts confirms that this market is even more selective and characterized by shipyards whose solidity and organization must be able to constantly deal with the demand of a widespread clientele on a global level, increasing their requirement and aware of their role as a force in the field of shipbuilding. The graph below, computed using data from various *Superyacht report*, shows the sum of global shipyard that succeeded in delivering *at least* one yacht.



<sup>10</sup> Data provided by [www.superyachtnews.com/intelligence/superyachts](http://www.superyachtnews.com/intelligence/superyachts), through their report Superyacht Report. Data elaborated by Ing. Pollicardo for CNA

<sup>11</sup> Data provided by [www.superyachtnews.com/intelligence/superyachts](http://www.superyachtnews.com/intelligence/superyachts), through their report Superyacht Report. Data elaborated by Ing. Pollicardo for CNA

### **1.3.2 Covid effect on boating and yacht market<sup>12</sup>**

#### **Boating market**

In 2020, the COVID-19 epidemic's economic devastation dominated the global scene, with nearly every industry experiencing adverse effects. However, the boating sector was able to maintain a fair amount of stability in 2020. Boating activities have actually benefited from the rising demand for social isolation, and the industry is currently experiencing a time of strong attention and attraction in the eyes of both investors and fans. Having said that, research by Berthon International and the European Boating Industry suggests that, given the broad economic spectrum that the industry covers, it is impossible to have a unified opinion on the overall recreational boating market. The recreational boating business, with a few exceptions like the yacht industry, has mostly stayed stagnant, and renting boats looks more alluring than buying or co-buying one. More specifically, according to a study<sup>13</sup> conducted by Amelie Cesar and Natascha Zwenke for the European Boating industry and supported by the Dusseldorf boat show, in 2020 30% of companies indicated an increase in revenues, more than 50% recorded a drop in revenues while 20% registered mild to no losses. The study also suggest that the companies involved in tourism and production sector have received significantly more financial damage than the firms involved in distribution and services activities. Starting from late 2020, and keeping the trend on for the whole 2021, the boating market saw a huge increase in sales, especially in the USA and in Australia. In the UK, according to British Marine, revenues related to boating saw a 25% increase between 2020 and 2021. Moreover, the boating market revenue in 2021 were estimated at 3.4 billion GBP, registering a 6.06% increase compared to 2018.

#### **Yacht market**

Being a niche market characterized by extremely wealthy buyer, the Covid-19 pandemic had a mild effect on the yacht market and on shipyard. Jamie Edmiston, CEO of Edmiston<sup>14</sup>, a yacht brokerage firm stated that: “Deliveries in January and February 2020 were high, but with the collapse of the market in March until May, the first quarter of 2020 was down -36% compared to 2019. In April, the market was down 77% compared to April 2019, while in August global yacht sales increased by over 115%. In the third and fourth quarters of 2020 the total number

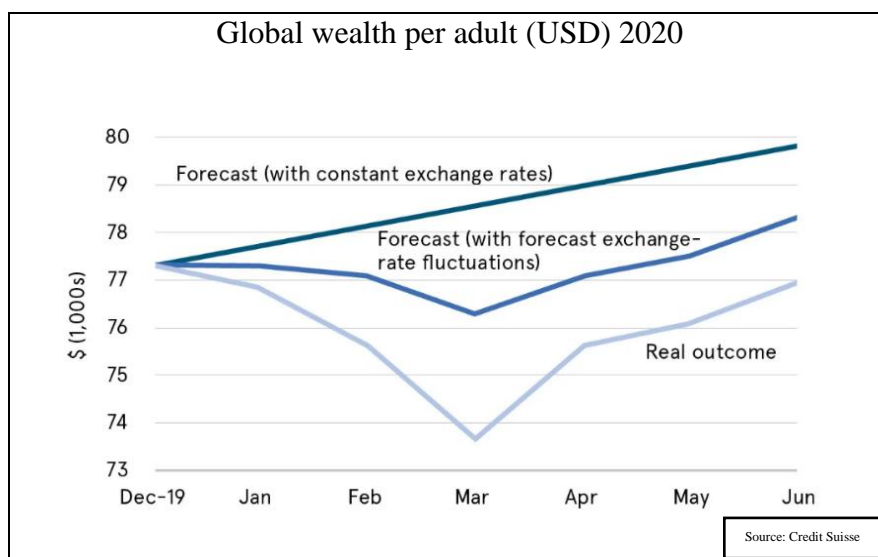
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<sup>12</sup> The analysis of this section has been performed through the data provided by SHORT FORESIGHT REPORT ON CRUISING, YACHTING AND RECREATIONAL BOATING IN THE MEDITERRANEAN Report by: Raffaele Mancini and Lina Tode, Plan Bleu December 2020; by <https://www.boatinternational.com/coronavirus-superyacht-industry>; by Berthon International, “Covid-19 and the Yacht market” by Sue Grant; by Anthony Shorrocks “Global wealth report 2020” for Credit Suisse; by ICOMIA

<sup>13</sup> Amelie Cesar & Natascha Zwenke: Impact of COVID-19 on the European recreational boating industry Management”

<sup>14</sup> <https://www.edmiston.com/>

of sales was higher than the same two quarters in 2019 and 2018”. According to a study conducted by Boat International, the biggest threat that the yacht market was facing at the beginning of the pandemic was the drop in wealth caused by the early economic crisis. In any case, after the first two months, global wealth stabilized. In fact, Credit Suisse’s *Global Wealth Report* by Anthony Shorrocks stated that “Given the damage inflicted by Covid-19 on the global economy, it seems remarkable that household wealth has emerged relatively unscathed”. The report contends that the fact that the global financial system is far better than it was in 2007–2008 is one of the primary reasons for confidence about the future. In 2019, Credit Suisse estimated that there were 51.9 million millionaires worldwide, and that number hasn't altered much since then. There were 175,690 persons with ultra-high net worth (UHNW), which is defined as having a net worth of more than USD 50 million, in the world at the beginning of 2020, an increase of 11% from the previous year. In the first half of 2020, 120 people lost their status as UHNW due to declines in global asset values, leaving 16,640 more than there were 18 months earlier. The boost in wealth also boosted yacht sales. According to Ralph Dazert of Superyacht times<sup>15</sup>, in September 2021 the superyacht sales market was positively booming and it looked like new yacht sales over 30 meters would exceed the 200, while sales of used yacht would top 300 units. The value of yachts sold between January 2020 and September 2021 was USD 5.9 billion globally, comprising the Mediterranean region leading the market with USD 3.1 Billion revenues, followed by North America with USD 2.0 billion.



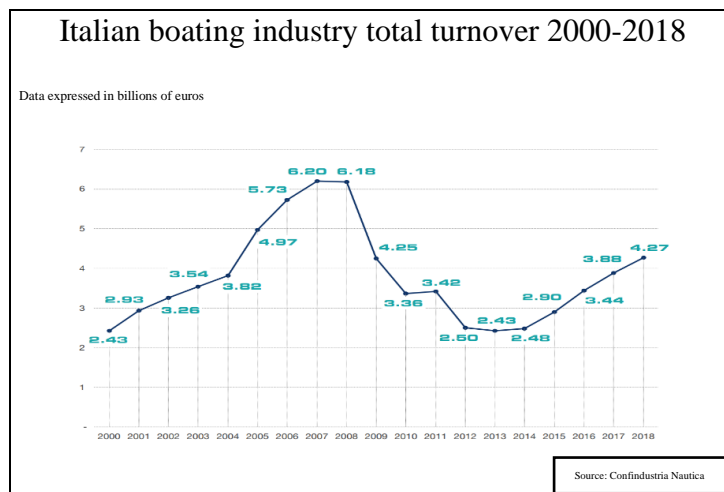
<sup>15</sup> <https://www.superyachtimes.com/yacht-news/superyacht-sales-2021>

## CHAPTER TWO: ITALIAN MARINE AND YACHT INDUSTRY

### 2.1 Overview of boating in Italy

#### 2.1.1 Introduction

Pleasure boating has always been a crucial activity in Italy for both individuals and related businesses. Being surrounded by the Mediterranean in the center and south and having some of the most famous and scenic lakes in the north, it is obvious that many entrepreneurs and enthusiasts are dedicated to developing this business. In fact, Italian pleasure boating and all its related activities (charter, refit, repair, tourism, and services) have now assumed and confirmed a leading role in the national economy, and have become a point of reference for world boating. Italy is a country that has always been attached to traditions, and the maritime ones are well culturally safeguarded. Even though Italian shipyards have continuously updated their techniques and materials, it has not led to the abandonment of the construction method that has been handed down from father to son for generations. The craftsmanship and manual skills that Italy has been able to maintain also in the production of modern yachts and boats has also become an important strength, directly or indirectly praising, and advertising the made in Italy. If we take builders like Riva as reference, it is impossible not to think of the elegance and charm that Italy attracts with its boats all over the world, thanks to a diligent mix of design and engineering. The pleasure boating market has been growing steadily since the nineties and has proven to be able to withstand the numerous crises that Italy has faced in the last thirty years, showing itself to be solid, avant-garde and thriving. In this chapter, this paper will first analyze the legislation governing pleasure boating, focusing on general regulations. Subsequently the nautical sector in general will be examined, at first taking a glance at the boat park and boating facilities, then analyzing in depth the industry statistics and turnover.



### 2.1.2 Boating regulations in Italy<sup>16</sup>

Under the Italian legal system, boating is regulated by a set of separate and dedicated rules from those of commercial boating, that find their origin in the 1940s with the royal decree 30 March 1942, n. 327, which is still valid. Since 1942 many aspects of boating have changed and today those who want to undergo boating shall pay attention on three regulatory papers regarding boating:

- The Nautical Code of pleasure boating (consolidated current version)
- The Regulation implementing the Nautical Code of recreational boating (consolidated current version)
- Directive 2013/53 / EU (consolidated current version)

The Nautical Code and the Implementing Regulation must be considered together, as a single fundamental corpus of the Italian nautical legislation. The text of greatest interest for the yachtsman is the LEGISLATIVE DECREE 18 July 2005, n. 171, entitled "Code of pleasure boating and implementation of Directive 2003/44 / EC, pursuant to Article 6 of the law of 8 July 2003, no. 172 ". The text has undergone many changes over time, but with its original title, it is still fully valid. The Nautical Code provided, in Article 65, for an implementing decree to be issued and it refers to it in various parts of the text. The nautical code is composed of 67 articles, 14 of which have been annulled throughout the years.

The article 1 of the Nautical Code defines pleasure boating as “boating carried out in maritime and inland waters for sporting or recreational purposes e non-profit, as well as that exercised for commercial purposes, too by means of the ships referred to in article 3 of law no. 172, 8<sup>th</sup> of July 2003.”. This general definition is more exhaustive in articles 3, where all the different aspects of pleasure boating are defined. In fact, in the section marked “definition”, the most notable are: 1. Constructions intended for pleasure boating are called: pleasure craft ( means any construction of any type and with any means of propulsion intended for pleasure sailing), unit used for commercial purposes (commercial yacht), larger pleasure vessel ( means any unit with a hull longer than twenty-four meters, measured according to the harmonized standard UNI / EN / ISO / 8666, and with a tonnage greater than 500 gross tonnage, hereinafter GT, or 600 tons of gross tonnage, hereinafter GRT), minor pleasure craft (means any unit with a hull

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<sup>16</sup> Data provided by DIRECTIVE 2013/53/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 November 2013 on recreational craft and personal watercraft and repealing Directive 94/25/EC; by IL CODICE DELLA NAUTICA D. L.vo 18 luglio 2005, n.171, and by <https://www.guardiacostiera.gov.it/>.

longer than twenty-four meters, measured according to the harmonized standard UNI / EN / ISO / 8666, and of tonnage up to 500 GT or 600 GRT), and historical minor pleasure vessel.

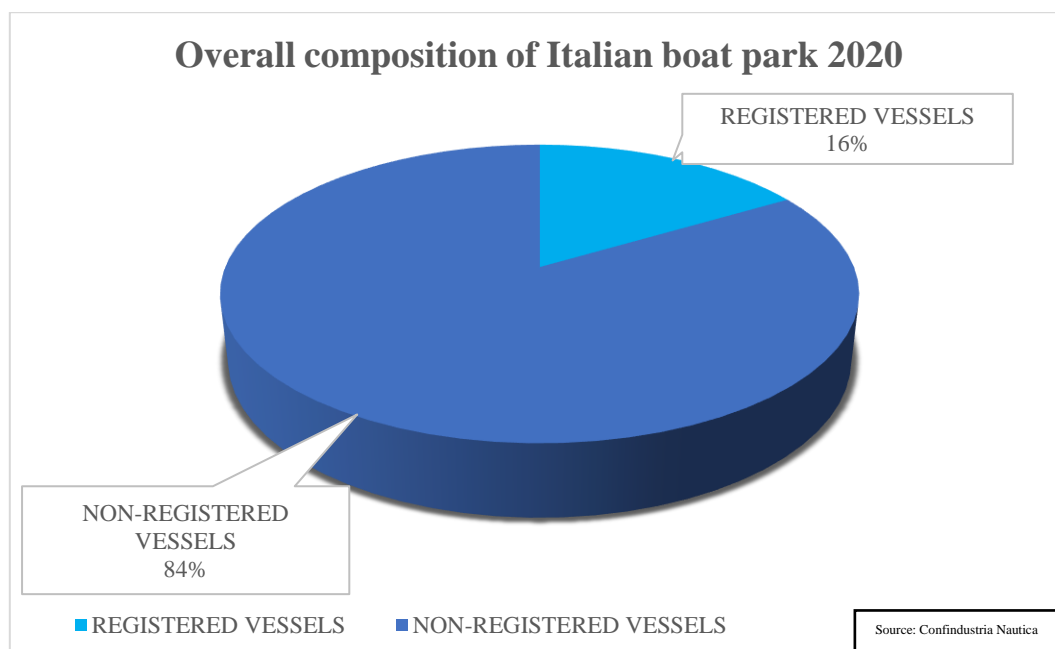
Article 2 defines and regulates pleasure boating intended for commercial purpose, while starting from article 15 until article 38, registration, licensing, nationality and fiscal policies directives are explicated.

The remaining articles are mostly focused on safety measures and civil/penal duties and rights, such as article 49, that list all the duties that a boat renter must follow, or the penalty for navigating under the influence of psychotropic substance, listed in article 53.

## 2.2<sup>17</sup> Italian boat park and facilities

### 2.2.1 The Italian boat park

Quantifying the Italian nautical park is by no means a simple task, since the registration of a vessel may take place in two separate locations (either with the Marine Bureau, comprehending both the Italian Coast Guard and the Marine district office, or with the U.M.C, the civil motorization department), or not taking place at all. Pleasure watercrafts must be registered under Italian maritime law when they are longer than 10 meters and, in any case, when they sail beyond 12 miles from the coast. Although boats under 10 meters in length can be registered voluntarily, the majority of them are not. The Ministry of Sustainable Infrastructures and Mobility's publications make it simple and more accurate to estimate the registered nautical fleet, but the computation of the unregistered fleet is far more difficult and inaccurate because there aren't any evident, official sources that allude to it. All things considered, according to a Confindustria Nautica esteem, in 2020 84% of boats present in Italy resulted non-registered, while the remaining 16% of boats were registered. Putting words in numbers, as of 2020, registered boats were 95.029, while unregistered ones were about 480.000 (2017 esteem).

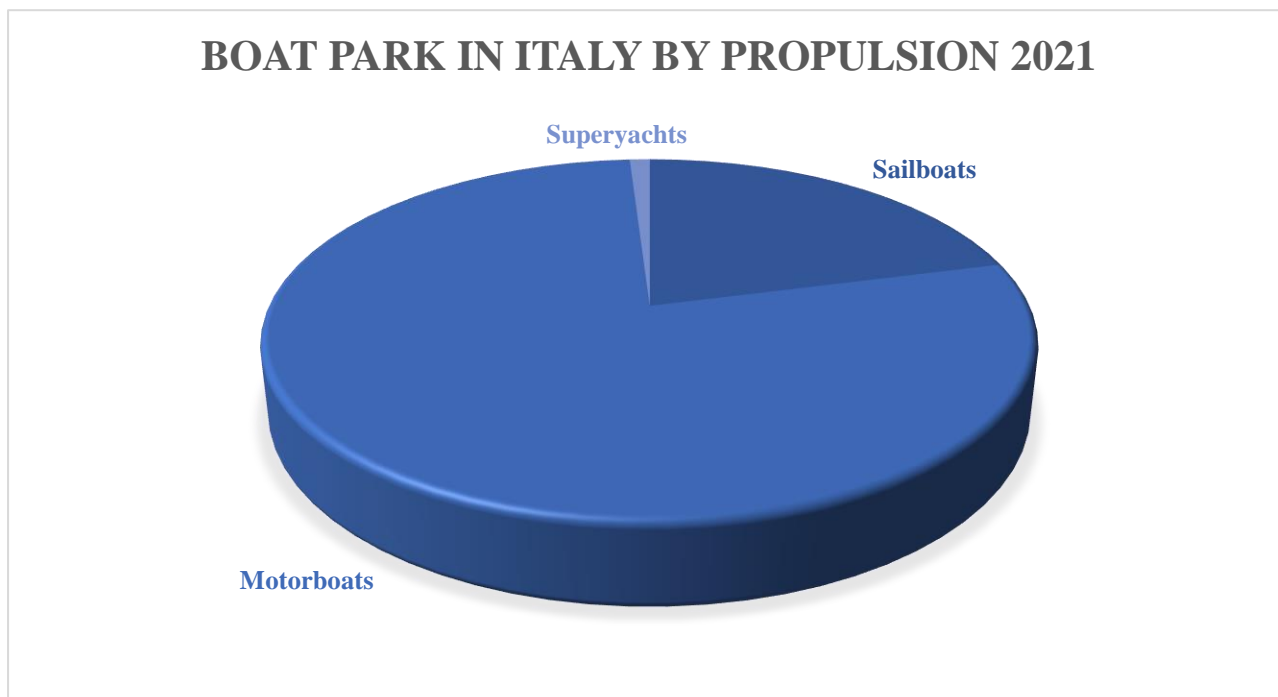


<sup>17</sup> The analysis of this section has been performed through the data provided by Confindustria Nautica through their report Boating in figures for the years 2019, 2020 and 2021. Data has been processed by Fondazione Edison. Unless otherwise indicated data, tables and figures refer to these sources.



BOAT PARK OF ITALY AS OF 2020		UNITS
Registered boats		95.029
Unregistered boats		480.000
Total		575.029

Source: Confindustria Nautica

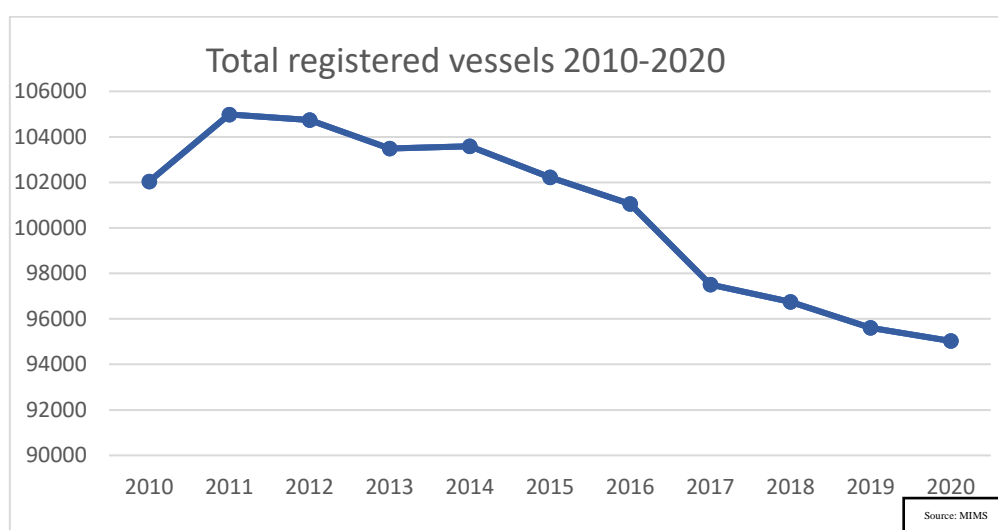


When registered vessels are broken down by propulsion, engines come out on top in Italy, making up 79,8% of the total boat park, while sailboats make up about 20%. The remaining 0.2% is constituted by superyachts that are either sail- or motor-powered. The most recent information on the boat park in Italy was gathered on December 31, 2020, and it confirms that 95.029 boats in total are currently registered with Italian authorities. Particularly, 24% of civil motorization office registrations are for boats, whereas 76% are for the marine bureau. According to the national distribution, the north (Piedmont, Aosta Valley, Lombardy, Emilia Romagna, Friuli Venezia Giulia, Veneto, and Trentino) has a total of 44,209 boats, with 0.0016 boats per resident on average; central Italy (Tuscany, Umbria, Marche and Lazio) reports 23,154 registered boats, and an average of 0.0020 boats per inhabitant; the south (Campania, Abruzzo, Molise, Apulia, Basilicata, Calabria, Sardinia and Sicily) has a total amount of 27,671 boats, and an average of 0.0014 boats per inhabitant.

Boat park in Italy by zone			
Geographic Area	Boats registered with U.M.C.	Boat registered with Marine Bureau	Total boat registered
Northern Italy	13.281	30.923	44.204
Central Italy	2.697	20.457	23.154
Southern Italy and islands	7.139	20.532	27.671
Italy	23.117	71.912	95.029

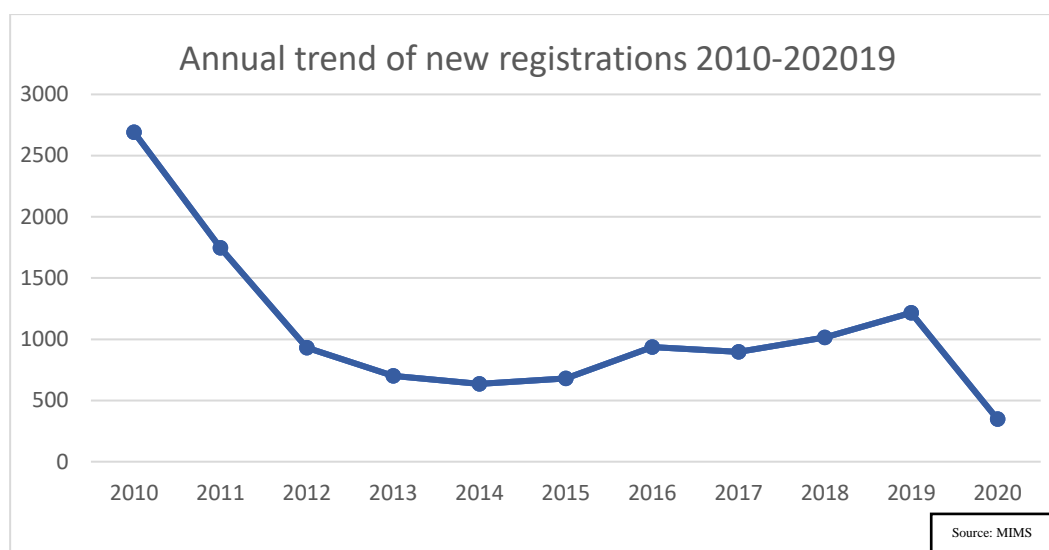
Source: MIMS

Analysing the annual trend of the registered boat park, starting from 2010, it is obvious that both the sale of new boats and the propensity to keep ownership of a vessel have been impacted by the European debt crisis, which first occurred from 2008 to 2012, and the SARS-COVID 19 pandemic, which first broke out in March 2020 and is still ongoing. The Italian recreational boating market had already been severely impacted by the 2008 crisis, triggered by the collapse of the investment bank Lehman Brothers. Despite a minor negative trend in the registered boat park since 2014, the figures for 2018 and 2019 were quite encouraging after a gradual correction that stabilized in 2016. In fact, 2014 saw the last peak in registered vessels, with a total of 103,584 officially registered boats. In 2020, registered boats were 95,029, a decline of -8.61 %. Covid is not entirely to blame, however, as there had already been a -3.56% drop in registrations between 2016 and 2017.



Throughout the years, if already registered vessels were indeed declining, new registrations were increasing. While new registrations had been just 635 in 2014, by 2019 they had virtually

doubled to 1217 units, attesting an increase of +62.85 % in just five years. However, the crisis due to Covid has caused new registrations to plummet by -111.25%, with only 347 new registrations in 2020.



### 2.2.2 Boating facilities

The receptivity of the Italian regions in terms of infrastructure, moorings, and berths is a critical factor that is often overlooked in the context of the recreational boating market. Being surrounded by the Mediterranean, Italy provides boaters with a diverse range of destinations, stimulating the economy through tourism, maintenance, and other boating-related services. Boating facilities are usually divided in three types, based on their purpose and operational scope:

- **Marinas:** Structures entirely focused on leisure boating. A marina is usually characterized by services and supplies related to yachting such as clubs, bars, boat chandlers, slipways and in/out boat storage.
- **Multi-purpose ports:** Mainly publicly owned or publicly managed, comprehending ports, industrial and commercial ports, canal ports, docks; sometimes multi-purpose ports are also characterized by the presence of docking for private recreational watercrafts.
- **Berthing points:** mainly seasonal facilities, usually removed in winter.

<sup>18</sup> Data provided by the Ministero delle infrastrutture e della mobilità sostenibili and elaborated by Confindustria Nautica

The most prevalent kind of boating facilities in Italy as of 2020, with 459 infrastructures, were multi-purpose ports, which are ports that manage commercial, industrial, and tourism traffic. Since 2018, when there were 462 multi-purpose ports, the number has been gradually decreasing. With a total of 237 mooring points, an increase of 1 unit from 2019, berthing points rank as the second-most popular category of maritime infrastructure in Italy. The least exploited of all the nautical facilities is the marina. Despite this, marinas saw the largest growth in 2019–2020, going from 84 in 2019 to 88 in 2020, albeit once more in relatively small numbers.

<b>Regional distribution of boating facilities by types as of 2020<sup>19</sup></b>			
REGION	MARINAS	MULTI-PURPOSE PORTS	BERTHING POINTS
Liguria	12	46	12
Tuscany	8	37	19
Lazio	3	35	4
Campania	5	44	19
Basilicata	2	1	-
Calabria	1	19	20
Sicily	7	64	71
Sardinia	12	50	56
Apulia	3	53	13
Molise	1	3	-
Abruzzo	1	9	2
Marche	4	10	3
Emilia-Romagna	8	17	2
Veneto	8	42	8
Friuli Venezia Giulia	13	29	8
Total	88	459	237

Source: MIMS

As of 2020 there are 166.035 berths scattered all over Italy. Sardinia (21.709), Liguria (21.577), Sicily (17.775), Tuscany (17.701), Campania (16.446), and Friuli Venezia Giulia (15.560) are the regions having the most berths, while the regions with the fewest port facilities, and consequently berths, are Basilicata and Molise having 1800 and 949 facilities respectively. As for the division by port type, the number of berths in multi-purpose ports prevails (102.383 berths, about 62% the total), followed by marinas (46.251 berths, 28 %). Regarding the distribution of berths among the individual types of infrastructure, it can be seen that berths in marinas are concentrated in Liguria (6.556 berths), Sardinia (5.584), Friuli Venezia Giulia

<sup>19</sup> Data provided by the Ministero delle infrastrutture e della mobilità sostenibili and elaborated by Confindustria Nautica

(5.462) and Tuscany (4.709): these four regions together offer almost half (48.23%) of the total berths in Italian marinas. In contrast, berthing points are mainly located in Sardinia and Sicily (4.626 and 4.056, respectively), which together offer 50% of the total berths available in Italy. Total berths grew by 1.57%, passing from 163.446 berths in 2019 to 166.035 in 2020. Marinas registered again the highest growth, with a percentage growth of 4.44% in the period 2019-2020.

**Regional distribution of boating facilities by capacity as of 2020<sup>20</sup>**

REGION	MARINAS	MULTI-PURPOSE PORTS	BERTHING POINTS	TOTAL BERTHS
Liguria	6556	14.784	237	21.577
Tuscany	4709	11.382	1610	17.701
Lazio	3015	5760	-	8775
Campania	3494	11.511	1441	16.446
Basilicata	1200	600	-	1800
Calabria	200	3910	750	4860
Sicily	2773	11.046	4056	17.875
Sardinia	5584	11.499	4626	21.709
Apulia	1648	8520	1028	11.196
Molise	489	460	-	949
Abruzzo	1250	1282	-	2532
Marche	2610	2677	-	5287
Emilia-Romagna	3526	1885	748	6159
Veneto	3735	8184	1690	13.609
Friuli Venezia Giulia	5462	8883	1215	15.560
Total	46.251	102.383	17.401	166.035

Source: MIMS

<sup>20</sup> Data provided by the Ministero delle infrastrutture e della mobilità sostenibili and elaborated by Confindustria Nautica

## **2.3 The Italian marine industry<sup>21</sup>**

### **2.3.1 Growth and revenues of the marine industry**

This section will cover the turnover of the Italian marine industry. Specifically, the economic data are based on:

- Shipbuilding, including construction of new vessels, repair and refurbishment/upgrading of already launched vessels (the latter commonly called refit)
- Engines
- Accessories and components

Data regarding tourism generated by recreational boating have not been taken in account.

Since the 2021/2022 nautical year has not yet come to an end, the latest data regarding 2021 should be considered as forecasts. In any case, Confindustria Nautica, through a report conducted by its study office that is based on a significant sampling of boating firms in the period September 2021-February 2022, attests to the nautical sector a maximum growth of 23.8% (with an error range of  $\pm 5\%$ ). In fact, if in 2020, turnover was 4.66 billion euros, in 2021 it is expected to return to pre 2008 crisis levels, reaching a staggering 6 billion euros. Among the most decisive factors that have fuelled this growth are the exploit of export growth in shipbuilding production, which as of October 2021 touched an all-time high of 3 billion euros, the order of Italian yacht and superyacht, which for many shipbuilders will even cover the next three years, and the superb performance of the nautical gadgets and marine engines sectors, despite the many serious issues regarding availability of raw materials and other factors, are some of the most important drivers of this growth.

Despite the poor performance of the Italian economy in 2020, the Italian boating industry proved to be stable. The total revenue of the industry, which includes shipbuilding, engines, and accessories, fell slightly from 4.78 billion in 2019 to 4.66 billion in 2020. In percentage terms, there was a 2.6% decrease from the previous year, with international sales accounting for 66.6% of total revenues and domestic sales compensating for the remaining 33.4%. Compared to 2019, the domestic market's turnover is moderately declining by 0.9%. Specifically, 84% of the total turnover was achieved thanks to domestic production, which in 2020 amounted to 3.9 billion euros, compared to sales of imported products amounting to 749

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<sup>21</sup> The analysis of this section has been performed through the data provided by Confindustria Nautica through their report "Boating in figures" for the years 2019, 2020 and 2021. Data has been processed by Fondazione Edison. Unless otherwise indicated data, tables and figures refer to these sources.

million euros (16.1%). Italian production generates a turnover of more than 3.9 billion euro, of which 76.1% is directed abroad, 61% of which to non-EU countries. A production worth about 934 million euro is sold in Italy, to which is added a value of imported products of roughly 624 million, the value of the turnover placed on Italian market amounts therefore to 1.56 billion euro. The trade balance of the nautical industry, which is clearly positive, amounts to more than 2.2 billion euro. The boating industry's contribution to national GDP is more than 3.9 billion euros in 2020, down by 1.3% from the 2019 figure. Conversely, the contribution as a ratio to GDP increased from 2.22% in 2019 to 2.37% in 2020, reflecting both the sector's greater resilience to the national economy and the economic instability caused by the pandemic.

The tables below show the detailed composition of the 2020 marine industry turnover. It is clear that shipyards, comprehending newbuilding and refit/repair/maintenance represent the most important aspect of the Italian marine industry, accounting to the 66.6% of the total turnover. Between 2019 and 2020, the total revenues coming from shipyard operations have increased by 0.78%, passing from 3.080.140.000 euros in 2019 to 3.104.380.000 euros in 2020. Equipment represents 25.4% of revenues, and between 2019 and 2020 sales dropped by 8.8%. If in 2019 the total turnover from accessories was 1.293.550.000, while in 2020 was 1.179.660.000. Engines are responsible for the 8% of boating industry revenues, and they also registered a negative growth. In 2019 the revenues coming from engines were 410.610.000 euros, whilst in 2020 were 375.570.000, registering a decrease of 8.5%.

### Boating industry revenues 2020 by sector

Data expressed in euro

	Newbuildings (I)	Refit, repair and maintenance (II)	Equipment (III)	Engines (IV)	Overall boating industry	
<b>Italian production</b>	<b>2,724,030,000</b>	<b>274,350,000</b>	<b>845,300,000</b>	<b>66,750,000</b>	<b>3,910,430,000</b>	<b>83.9%</b>
for the domestic market (a)	370,890,000	126,970,000	422,160,000	14,240,000	934,260,000	23.9%
for export (b)	2,353,140,000	147,380,000	423,140,000	52,510,000	2,976,170,000	76.1%
of which to EU Countries	776,540,000	81,059,000	262,350,000	39,380,000	1,159,329,000	39.0%
of which to non-EU Countries	1,576,600,000	66,321,000	160,790,000	13,130,000	1,816,841,000	61.0%
<b>Imports</b>	<b>106,000,000</b>	<b>-</b>	<b>334,360,000</b>	<b>308,820,000</b>	<b>749,180,000</b>	<b>16.1%</b>
from EU Countries	99,640,000	-	207,300,000	259,410,000	566,350,000	75.6%
from non-EU Countries	6,360,000	-	127,060,000	49,410,000	182,830,000	24.4%
sold in Italy (c)	83,740,000	-	240,740,000	299,560,000	624,040,000	83.3%
sold abroad (d)	22,260,000	-	93,620,000	9,260,000	125,140,000	16.7%
balance of trade (b-c-d)	2,247,140,000	-	88,780,000	-256,310,000	2,226,990,000	-
<b>Total turnover</b>	<b>2,830,030,000</b>	<b>274,350,000</b>	<b>1,179,660,000</b>	<b>375,570,000</b>	<b>4,659,610,000</b>	<b>100%</b>
foreign market (b+d)	2,375,400,000	147,380,000	516,760,000	61,770,000	3,101,310,000	66.6%
<b>Italian market (a+c)</b>	<b>454,630,000</b>	<b>126,970,000</b>	<b>662,900,000</b>	<b>313,800,000</b>	<b>1,558,300,000</b>	<b>33.4%</b>

Source: Confindustria Nautica

### Percentage variation of Italian boating industry revenues 2019-2020

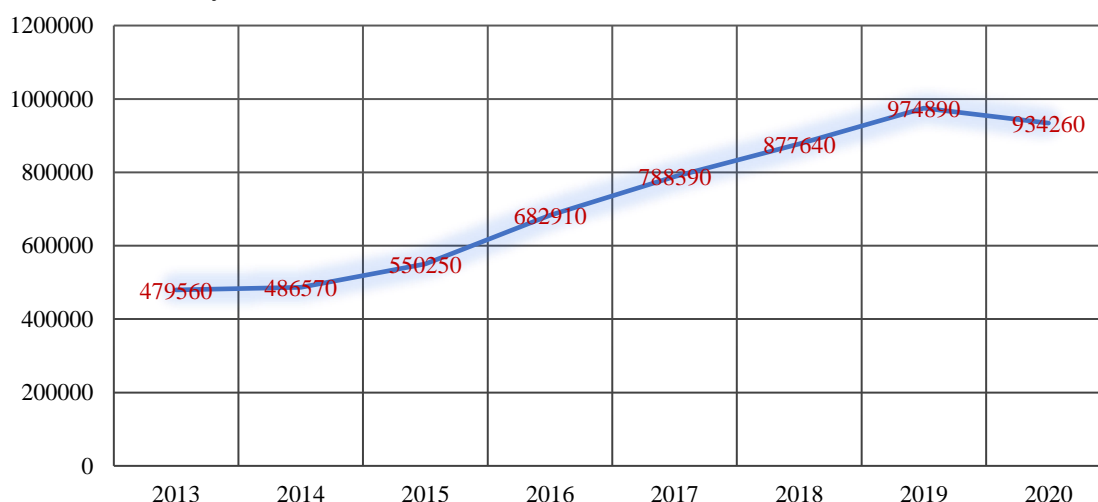
Data expressed in billions of euros

Years	Italian production for domestic market	Italian production for export	Total revenue from Italian production	Import	Trade balance	Total revenues
2019	974.890.000	3.012.640.000	3.987.530.000	796.770.000	2.215.870.000	4.784.300.000
2020	934.260.000	2.976.170.000	3.910.430.000	749.180.000	2.226.990.000	4.659.610.000
% Variation 2020-2019	-4.2%	-1.2%	-1.9%	-6.0%	-----	-2.6%

Source: Confindustria Nautica

### Italian production for domestic market 2013-2020

Data expressed in thousands of euros

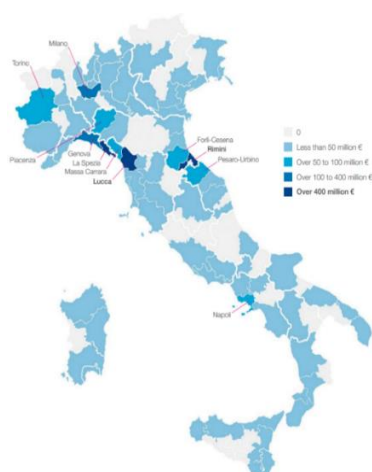


Source: Confindustria Nautica

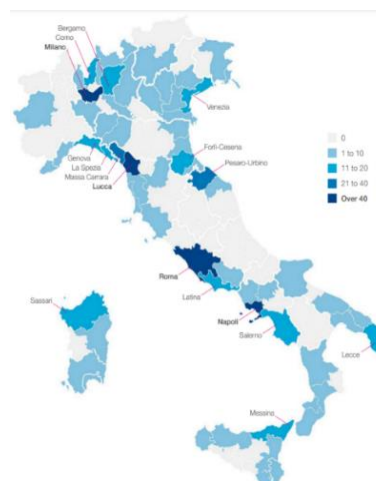
The tables above underline both the strengths against crisis and how crucial for this market exports are. In fact, despite the huge drop that the global economy experienced during 2020, exports concerning the marine industry have had only a slightly (1.2%) decrease compared to other industries. Domestic production for Italian market experienced also a drop by 4.2%. This has been the first negative growth for domestic market since 2013. The graph above shows the Italian production for domestic market in the period 2013-2020. Lastly, there has been a huge drop in imports, mostly due to the issues related to the pandemic impact on international trade. Taking a look at the data for 2020, imports are reported to have decreased by 6%, compared to 2019.



Turnover of Italian Shipyard by province



Number of firms by province



The latest data regarding the performance and composition of Italian nautical districts date back to 2019, and attest a total presence of 635 companies of concrete relevance in our territory. In total, counting also companies with low turnover, there are about 900. The maps<sup>23</sup> above highlight the main provincial production clusters in terms of both turnover (map on the left) and number of firms (map on the right). Looking at the turnover generated, the provinces of Lucca, which is the hub of the Tyrrhenian district, stands out with over 400 million euros in revenues, followed by the province of La Spezia with a turnover of 505 million and the province of Rimini with 467 million euro. They are followed by Milan (108 million) and Genoa (106 million) and, with reference to provinces having revenues between 99 and 50 million, the provinces of Massa-Carrara (87.5 million), Piacenza (83 million), Pesaro-Urbino (72.8 million), Turin (69.8 million), Forlì-Cesena (63.4 million) and Naples (53.4 million). In terms of employee numbers, Lucca ranks once again first with 1,960 employees, followed by Rimini (with 1,431); provinces employing less than 1000 employees include Pesaro-Urbino (654), La Spezia (604), Turin (542), Massa-Carrara (447), Naples (347), and Milan (313). With more than 40 productive entities, the provinces of Naples (48), Rome (46), Lucca (44) and Milan (41) monopolize the ranking in regard to the number of companies. Following them are the provinces of Pesaro-Urbino (38), Massa-Carrara (26), Bergamo, and Latina (both with 20 enterprises).

<sup>23</sup>Maps provided and developed by Confindustria Nautica through their report Boating in figures 2020

A study conducted by the Edison Foundation based on data collected by both Istat and Bureau Van Dijk take into analysis 5 major territorial poles which are: Tyrrhenian District, Adriatic District, Lombard District, and the cities of Turin and Naples. These 5 districts are responsible for 85.3% of total Italian turnover, employ 77.6% of the workforce (7,461 workers) and have a total of 325 enterprises, or 51.2% of the total in Italy. The table below explains how firms, worker, revenues and export are divided by area.

Overview of the major Italian marine industrial district 2020

INDUSTRIAL AREA	NUMBER COMPANIES (NATIONAL SHARE)	NUMBER OF EMPLOYEES (NATIONAL SHARE)	REVENUES (NATIONAL SHARE)	EXPORT (NATIONAL SHARE)
Tyrrhenian district	95 (15%)	3101 (32.2%)	€1699 million (53.2%)	€958 million (21.7%)
Adriatic district	72 (11.3%)	2461 (25.6%)	€620,3 million (19.4%)	€910,8 million (20.6%)
Lombardy	101 (15.9%)	1010 (10.5%)	€279 million (8.8%)	€172 million (3.9%)
Turin province	9 (1.4%)	542 (5.6%)	€69,8 million (2.2%)	€182,5 million (4.1%)
Naples province	48 (7.6%)	347 (3.6%)	€53,4 million (1.7%)	€18,3 million (0.4%)

Source: Confindustria Nautica

The table above is sorted in descending order by turnover, and it is easy to assume that the Tyrrhenian district represents the most important of the districts in terms of both turnover and employment. On the other hand, for what concern the number of enterprises, the supremacy is held by Lombardy. More in detail, the Tyrrhenian district is home to 15% of Italian shipbuilding firms, 32.2% of the sector's employees, as much as 53.2 % of the turnover generated by the sector (1.7 billion euros) and 21.7% of national exports (958 million). It is followed by the Adriatic district, with 72 enterprises, 2,461 employees, a turnover equal to 19.4 % overall of the sector (620.3 million euros) and 20.6 % of national exports (910.8 million euros). Lombardy, with 101 companies, weighs 15.9% of the Italian total and its workers account for 10.5% of the sector's national workforce; its 280 million in turnover corresponds to 8.8% of the sector's total turnover and 3.9% of national exports. Finishing the ranking are Turin and Naples, the former with a small number of enterprises (only 9) but employing 5.6% of the workforce (542 workers), generating 69.8 million euros in turnover, or 2.2% of national turnover and 182.5 million euros in exports, 4.1% of Italian exports. Forty-eight firms (or 7.6%) are located in

Naples, employing 347 workers (or 3.6%), generating 53.4 million in turnover (or 1.7%) and 18.3 million in exports (or 0.4% of the national total).

### 2.3.3 Exports

Italian shipbuilding is particularly valued abroad, where it is lauded as international excellence. It is therefore no surprise, as noted in section 2.3.1, that exports are a crucial factor for Italian shipbuilding. Once again, to analyse the Italian shipbuilding export balance, I will rely on Istat and UN Comtrade data studied by the Edison Foundation, dating back to 2020.

Top 10 countries for trade balance of pleasure boats in 2020 <sup>24</sup>		
Data expressed in millions of dollars		
RANK	COUNTRY	TRADE BALANCE
1	Italy	2.095,3
2	The Netherlands	1.130,5
3	Germany	979,1
4	Poland	646,0
5	United Kingdom	535,8
6	France	456,6
7	China	352,8
8	Mexico	242,2
9	Finland	228,8
10	China	203,5

ITC – UN Comtrade

Compared to 2019, recreational boat exports decreased by 8.5%, from a value of 2.29 billion euros in 2019 to 2.10 billion in 2020. Italy appears second in the ranking of the world's top ten exporters in the nautical shipbuilding sector, with a 14.6% share of the entire sector, second in the world ranking of the largest exporters of inboard-powered boats and yachts, with a 19.9% share, in first place in the world ranking of countries for superyacht orders, with 407 yachts under construction, giving a detachment of as many as 333 units to the second-ranked country, the Netherlands, which has 74 units under construction. Finally, Italy ranks second for exports of inflatable boats (mostly dinghies, accounting for 10.2% of exports, seventh for exports of sail-powered boats, and eighth for rowing-powered boats. The trade balance is also record-breaking, with Italy first in the difference between exports and imports, with an impressive 2.095 billion euros.

<sup>24</sup> Data provided by ITC – UN Comtrade and elaborated by Confindustria Nautica

Italy's position in global export ranking 2020 <sup>25</sup>		
Ranking category	Position	Global export share
<b>Top 10 global exporting countries of inboard-powered boats in 2020</b>	2 <sup>nd</sup>	19.9%
<b>Top 10 global exporting countries of pleasure boats in 2020</b>	2 <sup>nd</sup>	14.6%
<b>Superyacht global order book 2021</b>	1 <sup>st</sup>	45.22%
<b>Top 10 global exporting countries of sailboats in 2020</b>	7 <sup>th</sup>	2.7%
<b>Top 10 global exporting countries of inflatable boats in 2020</b>	2 <sup>nd</sup>	10.4%
<b>Top 10 countries for trade balance of pleasure boats in 2020</b>	1 <sup>st</sup>	--

ITC – UN Comtrade

The great majority of inboard-powered pleasure boats manufactured in Italy are exported. The top 15 Italian export destination countries account for 85.97% of total exports, totalling 1.802 billion euros. The United States (331.8 million euro), the Cayman Islands (302.6 million euro), the British Virgin Islands (148.2 million euro), Hong Kong (117.9 million euro), the United Kingdom (65.2 million euro), Turkey (59.2 million euro), the Marshall Islands (55.7 million euro), Gibraltar (43.6 million euro), and Switzerland (36.5 million euro) are among the 15 countries with a total export value of 1.16 billion euro (55.4% of Italian exports in the sector). The six European countries represented in the ranking, to which 641.6 million euros of exports (30.6% of total exports) are directed, are as follows: Malta (242.6 million euro); France (211.2

<sup>25</sup> Data provided by ITC – UN Comtrade and elaborated by Confindustria Nautica

million euro); Croatia (64 million euro); Spain (51.8 million euro); the Netherlands (43.6 million euro) and Germany (28.3 million euro).

Top global export destinations and worth of Italian vessels 2020<sup>26</sup>

Data expressed in millions of euros

Rank	Country	Export worth
1	USA	331,8
2	Cayman Islands	302,6
3	Malta	242,6
4	France	211,2
5	British Virgin Island	148,2
6	Hong Kong	117,9
7	UK	65,2
8	Croatia	64,0
9	Turkey	59,2
10	Marshall Islands	55,7
11	Spain	51,8
12	The Netherlands	43,6
13	Gibraltar	43,6
14	Switzerland	36,5
15	Germany	28,3
<b>Total 15 countries</b>		<b>1802,2</b>

ITC – UN Comtrade

As for exports strictly bound to the European Union, data for the top 15 destinations are shown in the table below, along with the percentage change from 2019. In 2020, exports to EU-27 countries (742.7 million euros) are 6% higher than in the previous year. This increase, which in absolute value is 41.9 million euros, can be explained, among others, by the increases registered mainly to the Netherlands (+488.2%, from 7.4 million exports to 43.6 million), Croatia (+118.6%, from 29.3 to 64 million), Greece (+464.8%, from 4.8 to 27.2 million), and Germany (+92.9%, from 14.7 to 28.3 million). On the other hand, as far as the decrease in

<sup>26</sup> Data provided by ITC – UN Comtrade and elaborated by Confindustria Nautica

naautical exports is concerned, negative growth is recorded mainly in two countries-France and Slovenia. Italy's exports have decreased the most from a liquidity point of view to France, which registers -11.5%, from 238.7 in 2019 to 211.2 million in 2020, while Slovenia registers the largest percentage drop (-55.6%, from 18.3 to 8.1 million). In terms of exported values, the top 10 EU destination countries for Italian recreational boating exports are Malta, France, Croatia, Spain, the Netherlands, Germany, Greece, Cyprus, Bulgaria, and Luxembourg; together these 10 countries absorb 95.8 % of Italian exports directed to European markets.

Top 15 EU export destination, worth and variation of Italian vessels 2020<sup>27</sup>

Rank	Country	Export worth	%Variation from 2019
1	Malta	242,6	-2.0%
2	France	211,2	-11.5%
3	Croatia	64,0	+118.6%
4	Spain	51,8	-3.1%
5	The Netherlands	43,6	+488.2%
6	Germany	28,3	+92.9%
7	Greece	27,2	+464.8%
8	Cyprus	24,7	+54.2%
9	Bulgaria	9,9	+146.5%
10	Luxembourg	8,3	+45.8%
11	Slovenia	8,1	-55.6%
12	Portugal	5,2	-30.4%
13	Slovakia	4,3	+101.7%
14	Hungary	3,0	+297.0%
15	Poland	2,2	-33.8%

Source: ISTAT

In contrast to what was recorded for EU countries, exports to non-EU countries are affected by a decrease of -14.9 %, which in numerical terms reaches 236.5 million; in fact, it went from 1,589.9 million in 2019 to 1,353.5 million in 2020. This change is mainly affected by negative performance in absolute terms to Australia (-85.6%, from 152.1 to 22 million), the UK (-47.4%, from 124 to 65.2 million), Panama (-77.1%, from 61 to 14.1 million), Dominica (-68.1%, from 22.9 to 7, 3 million) matched by smaller ones from Japan (-38.9%, from 37.7 to 23 million),

<sup>27</sup> Data provided by ISTAT and elaborated by Confindustria Nautica

Montenegro (-44.9%, from 24.8 to 13.7 million), the United States (-2.7%, from 341.2 to 331.8 million), the United Arab Emirates (-39.5%, from 17.9 to 10.8 million), and Singapore (-46.7%, from 13.9 to 7.4 million). In 2020 the largest positive increases in absolute terms are to Switzerland (+221.2%, from 11.4 to 36.5 million), the Cayman Islands (+8.7%, from 278.4 to 302.6 million) the British Virgin Islands (+17.6%, from 126 to 148.2 million), Hong Kong (+17%, from 100.8 to 117.9 million), Turkey (+29.4%, from 45.7 to 59.2 million) and Gibraltar (+42.3%, from 30.6 to 43.6 million). Exports to Kuwait (up 67.9%), Seychelles (up 946.6 %), New Zealand (up 328.2%) and Egypt (up 451.5%) also grew. The table below shows data for the top 20 nations that most affect Italian ship exports, including both the value due to exports in each nation and the percentage change from 2019.

Top 20 non-EU export destination, worth and variation of Italian vessels 2020 <sup>28</sup>			
Data expressed in millions of euros			
Rank	Country	Export worth	%Variation from 2019
1	USA	331,8	-2.7%
2	Cayman Islands	302,6	+8.7%
3	British Virgin Islands	148,2	+17.6%
4	Hong Kong	117,9	+17.0%
5	United Kingdom	65,2	-47.4%
6	Turkey	59,2	+29.4%
7	Marshall Island	55,7	-1.6%
8	Gibraltar	43,6	+4.3%
9	Switzerland	36,5	+221.2%
10	Japan	23,0	-38.9%
11	Australia	22,0	-85.6%
12	Panama	14,1	-77.1%
13	Montenegro	13,7	-44.9%
14	Kuwait	11,0	+67.9%
15	UAE	10,8	-39.5%
16	Seychelles	10,3	+946.6%
17	New Zealand	8,7	+328.2%
18	Egypt	8,0	+451.5%
19	Singapore	7,4	-46.7%
20	Dominica	7,3	-68.1%
<b>Total extra UE</b>		<b>1353,5</b>	<b>-14.9%</b>

Source: ISTAT

<sup>28</sup> Data provided by ISTAT and elaborated by Confindustria Nautica



## **CHAPTER THREE: FAMILY BUSINESS AND THE CASE OF CANTIERI NAVALI CODECASA**

### **3.1 Overview on family business**

#### **3.1.1 Defining family business and its characteristic<sup>29</sup>**

In 1982, Sexton and Van Aucken stated that family-owned firms account to as much as 50% of USA's GDP, and that 80% of all business in North America were owned by families. Just a year later, a study conducted by Beckhard and Dyer showed that the number of family-owned businesses was much bigger, close to the 95% of all businesses in the USA. Looking at the data, there is no question that family business represents a crucial aspect of our society and economy. Although family business has long been a topic of debate among academics, there is no universally accepted definition. This is due to the fact that this reality is extremely complex, and its investigation necessitates the use of interdisciplinary knowledge. This type of business sees the intersection of two distinct social institutions, such as the family and the enterprise, each with its own set of structures and rules of behavior that necessitate some form of synergetic composition to give life to a rather unusual system. According to Gallo and Vilaseca, the central idea of family business is the succession process, which Ward also proposed in 1988 and will be discussed in greater detail later in this paragraph. Over the last 30 years, interest in the topic of family businesses has grown, and since then, attempts have been made to precisely define this type of business based on the key assumption that distinguishes it: family life mixed with work life, and the relationship between family bond and firm management. Studies carried out by various scholars on this topic aims to spot the distinguishing elements with greater clarity and objectivity in order to give this phenomenon a recognizable identity, as well as to verify whether these distinctive aspects can lead to tangible differences in business attitude, performance, decisions, and development potential when compared to non-family businesses. By doing so, it will be possible to create a distinction between what can be qualified as a family business and what cannot. The first contributions to this orientation are based on the use of a one-variable approach to define this phenomenon. Scholars focus on the participation of one or more families within the ownership of the company, joining the involvement in the managerial

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<sup>29</sup> This section has been elaborated through data provided by Shanker, M.C., Astrachan, J.H., Myths and realities: family businesses contribution to the US economy - A framework for assessing family business statistics, Family Business Review (1996); by Gallo, M. and A. Vilaseca. "A financial perspective on structure, conduct, and performance in the family firms: An empirical study."; by Sexton, D. and P. Van Aucken (1982). "Prevalence of Strategic Planning in Small Business."; by Ward, J. L. "Keeping the family business healthy: How to plan for continuing growth, profitability, and family leadership."

area. The observation of the forms of control of the company, i.e., whether it is carried out by members of a single family or based on a multitude of strict parameters, first and foremost the effective control of the strategic direction, the intention to keep control of the company within the family, active management by family members, and others, is the starting point. The multiple parameters used have the specific intention of measuring the degree of influence and involvement of the family in the business; the so-called degree of 'family involvement'<sup>30</sup>.

In the end, the one-variable approach shows limitations, since its application implies knowledge multiples data and observations that are often hidden or unclear.

Following that, scholars Shanker and Astrachan developed a model that allows broad, medium, and narrow definitions of family business to be broken down in relation to the intensity of family involvement within it. This approach is based on a plurality of parameters that seek to measure the degree of influence and involvement of the family in the business by referring to precise criteria including effective control of strategic decisions and the intention of controlling parties to keep the business within the family. This scheme differs from the preceding one in that it considers both objective and subjective factors. The premise of this study is that family-owned businesses have characteristics that cannot simply be identified as non-existent or existing, but whose strength needs to be measured. Alongside this line of studies, an instrument capable of quantifying the degree of family involvement within the business was theorized by Shanker and Astrachan<sup>31</sup>. This instrument, which goes by the name of F-PEC is suitable for possible classification, although it does not provide a solution to the distinction between family and non-family businesses. PEC is the acronym for power, experience and culture, which are the three-aspect characterizing family business. More in details, power is analyzed on the level of ownership of governance and management, experience is determined on the basis of the contribution of successive generations over time, and, finally, culture which is understood as the sharing of values and guiding principles between the company and the family. According to this reasoning, we can identify three aspects that can qualify family business:

- Power: it expresses the degree of involvement of family members within ownership and management by indicating how intensely the family is economically involved within the enterprise and the leadership positions it occupies

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<sup>30</sup> "The F-PEC Scale of Family Influence: A proposal for solving the family business definition problem, in family business review" by H. ASTRACHAN-S.B. KLEIN-K.X. SMYRNIOS

<sup>31</sup> "Myths and Realities: Family Businesses' Contribution to the US Economy—A Framework for Assessing Family Business Statistics." by Shanker, M. C. and J. H. Astrachan

- Experience: it expresses the degree to which multiple generations are involved within ownership and management.
- Culture: expressing the degree of coincidence between business and family values, as well as the commitment of family members both in supporting management aimed at achieving business economic goals and in ensuring the development of mutual interrelationships between the family the organization and the environment.

Culture, which represents a fundamental aspect in fully defining the link between company and successors, is the result of the interaction of multiple factors, among which we can mention the personal and economic values that inspired the founders of the company, the culture of the family's country of origin, or the competitive conditions that the company faces in its industry. In conclusion, the PEC interpretation falls within the first set of definitions in which the connecting element is identified in the concept of ownership, making it a sufficient condition for defining a family business the ownership by one or more families of a share that allows them to exercise control over the business. The definition of family-business is further complicated where, in addition to the ownership variable, the variable of family involvement in management is also considered. In fact, a broad definition of a family business is preferred, i.e., one that allows for the collection together of different manifestations of ownership and different degrees of family involvement in management, thus increasing the number of manifestations that can be ascribed to the definition of a family business, while at the same time reducing the possibility of delimiting the boundaries of this phenomenon. Having observed this first definitional approach, which allows us to identify a first definition of family business according to an extended concept, we can observe a second view of the phenomenon which emphasizes the intergenerational transfer of ownership and management.

Previously on this paragraph we briefly introduced the concept of business inheritance as a core principle of family business, formulated by J L Ward in 1988<sup>32</sup>, which can be considered sort of revolutionary in defining family business, since it takes in account F-PEC, but also the issue of generational transfer, and therefore, succession. In fact, Ward defines family business as a “business that will be passed on for the family’s next generation to manage,” focusing on the fact that a family firm was and will be managed by generations of members of the same household. Although Ward's view has highlighted several favorable points for the analysis of family business, it is too limited. This definition’s issue is that it would exclude from the category of family business all those enterprises in which the first generation of the family is

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<sup>32</sup> “Keeping the family business healthy: How to plan for continuing growth, profitability, and family leadership” by Ward, J. L.

involved in ownership and management. As we have been observing, most of the theories trying to identify and define family business fail in satisfying the concept of the “exact” nature of this kind of business. With that said, J. H. Chua formulated the following definition “The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.” Chua (1999). Since it takes in account most of family business’ core principles, which are the succession dilemma, the influence and shared vision of the family, we could appoint this definition as the most satisfactory explanation in defining family business.

### **3.1.2 The succession dilemma**

The development of the global economy and the onset of globalization have presented family business with significant challenges. Numerous economists predicted that the processes of market development would eventually result in the extinction of the family business species and the emergence of management-type businesses. There was a common belief that the continuous management exercised by a single compact actor, such as a family, would result in lower levels of efficiency and dynamism due to top management's lack of innovation propensity, the difficulty of developing competitive capacity, and close relationships with employees. The family company is still the main driver of a nation's industrialization process, and it also shows no signs of waning, despite the research done and the widely held beliefs. Like in the vast majority of developed nations, it is a key driver of economic and other growth in Italy. No matter what traits or forms it may take, family businesses continue to be the most prevalent type of business worldwide. As previously stated, family businesses face many challenges which includes both issues related to relationships between family members (conflict of interest, pressure to hire family members, lack of external view, succession...) and issues related to external factors. In fact, according to a study conducted by AIDAF's study center Osservatorio AUB, in Italy generational change represent a huge issue that jeopardize since only the 31% of family business survive the first generational shift, while just 10% reach the third generation. Starting from the early 2000, after having succeeded in defining family businesses, economist and researchers started analyzing if it could be possible to create some sort of guide lines in order to erase the succession dilemma. In order to better explain how businesses can survive the generational shift, in this paragraph I will base my consideration on researches made by Francesca Masciarelli and Andrea Prencipe<sup>33</sup> in their paper "Dinamiche evolutive delle imprese familiari: il ruolo del capitale umano e del capitale sociale nel ricambio generazionale" (in English "Evolutionary dynamics of family businesses: the role of human capital and social capital in generational change") and on data gathered by FAPI/ESPIM<sup>34</sup> (Fondo Formazione PMI) through their paper "La continuazione generazionale nelle PMI: analisi dello stato dell'arte, individuazione delle best practice e degli incentivi a livello italiano ed europeo" (in English "Generational continuation in SMEs: state-of-the-art analysis, identification of best practices and incentives at the Italian and European levels"). Since

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<sup>33</sup> "Dinamiche evolutive delle imprese familiari: Il ruolo del capitale umano e del capitale sociale nel ricambio generazionale" by Masciarelli, F. and Prencipe, A. (2010).

<sup>34</sup> [www.fondopmi.com/wp-content/uploads/2009/12/La-continuazione-generazionale](http://www.fondopmi.com/wp-content/uploads/2009/12/La-continuazione-generazionale)

generational transition is a complicated and dangerous transformation process, as long as the founder is the head, the family business is a generally stable institution. The designation of the successor is crucial to generational change, and his or her personal experiences influence the succession process. According to Masciarelli and Prencipe, human capital (defined by Treccani as “Set of skills, competencies, knowledge, professional and interpersonal abilities generally possessed by the individual, acquired not only through schooling but also through long learning or experience in the workplace and therefore not easily replaceable as they are inherently elaborated by the individual who acquired them.”) and social capital (defined by Treccani as “Set of aspects of social life, such as relational networks, norms, and mutual trust, that enable members of a community to act together more effectively in achieving shared goals”) is considered a key factor for development, but for family businesses they play an even more crucial role. The problem of succession in relation to human and social capital is extremely important because the founder of the company holds certain values that are firstly transferred to employees and stakeholders, then to the successor. It is therefore very important for the designated successor to acquire and embrace the founder's basic notions. In order to analyse how to transfer the founder's skills, Masciarelli and Prencipe focus on the successor's human capital and social capital. According to their paper, for what concern human capital, multiple experiences are vital, but entrepreneurial experience has a decisive influence on the success of a generational change. Since assigning important positions to family members is typical of family businesses, successors usually assume key roles when they first enter the business. With that said, in order to effectively build a strong human capital around the successor, entrepreneurial activity outside the family business shall also be considered, since the more human capital a successor has, the more likely it is that he/she will better respond to changes and developments in the competitive scenario. For what concern social capital skills, they are built around multiple factors which includes: the relationship with family members involved in the firm, the relationship with employees, and the relationship with the stakeholders. According to Masciarelli and Prencipe, it is crucial that the designed successor develops his/her own relationship within the company, at least for what concern reputation and trust. In particular, the real goal of the successor is to avoid conflicts due to its influence on the firm's management, concerning both employees and other family members.

According to FAPI's research, another crucial aspect that influence the success of generational shift for what concern succession is planning, which, as specified by their report, it is essentially built around three core concepts: close number of family member inside the company, innovation of strategies and ground-breaking leadership. For what concern family members

involved in the firm management, companies that can resist the temptation to involve more and more members in administration, and take ownership of the company are more likely to survive. These companies entrust the management of the company to a few or one person in order to minimize sibling rivalry and minimize managerial conflicts, enhancing the probability that the new leadership will stick to the culture of the founder. Secondly, associating only family members with the company is one way to ensure business continuity, but may result in lack of innovation. Surviving companies may survive for a long time, but they are not always successful. Especially if they do not think strategically, do not plan, and miss the opportunities presented by changes in the markets in which they operate and those provided by technological innovation, ending up with mediocre performance. Modernizing and updating the strategy can take different ways such as expanding into new geographic areas, expanding product lists, managing distribution (forward integration) or managing suppliers (backward integration). It also makes sense to enter a completely new business to revitalize the business strategy. Lastly, innovation should also be focused on managers. Strategic innovation is executed when a new generation of entrepreneurs take over the company. A successful family business requires linking the strategic revolution with changing managers, whether sons or outside manager. These new leaders who join the company every 20-25 years naturally bring ideas and pass them on to the company. The new manager is perfectly positioned to lead the company to new heights of success because they are characterized by strong innovative forces and obviously more willing than their predecessors to challenge traditional policy. Therefore, in terms of activating business strategy, the preparation of the future family business is a crucial factor in the sustainable development and profitability of the company. Of course, this approach involves many risks. It is undeniable that the new management team introduced into the company is less effective than the previous management team. New areas of expansion may be less fruitful than expected. The costs associated with completing the expansion may prove to outweigh the benefits.

In conclusion, taking again in consideration the research done by Masciarelli and Prencipe, they identified three possible outcomes regarding succession, highlighting its possible flaws and strengths. According to their paper, a succession can be "conservative problematic successions", "vacillating problematic successions", and "proactive successions." Conservative problematic succession happens when, even though the successor is willing to adjust the enterprise's aims and strategies to changing market requirements, he or she lacks the requisite skills and competences. Despite having a high level of human capital in terms of experience and formal education, the successor lacks a dense and well-established network of ties: current

interactions are heavily impacted and mediated by the presence of the elder generation. While the successor has the essential support, information, and resources obtained from a high degree of social capital, he or she lacks the requisite expertise to carry out a succession process committed to the enterprise's innovation and evolution based on external contingencies. For what concern vacillating problematic succession, they mostly happen when the successor has a strong set of social capital skill but a low level of human capital, or vice versa. The cause of the lack of one of the two skill is not identifiable easily but it is once again mostly due to the strong position that the founders enjoy in the mind of employee, clients and all the stakeholders. Finally, successful succession is due to the fact that the designated successor has high levels of both human capital and social capital. Sticking to the result carried out by Masciarelli and Prencipe and by FAPI, a successful succession is the result of a detailed plan, which may last up to 20 years, which aim is to train the designated successor in many different branches of their business.



### 3.2 The case of Cantieri Navali Codecasa

In the previous paragraph we introduced the characteristics of family business, with its related strengths and weakness. We also took a look at a particular situation, which is the issue of generational change. Having listed the three types of succession, which are conservative problematic successions, vacillating problematic successions, and proactive successions, we shall now move to a specific situation, which is the one of Cantieri Navali Codecasa. This is extremely important regarding the issue of family business and generational change, as they have been run by the Codecasa family for 197 years now, having experienced four successful succession processes, and are currently experiencing the fifth. Cantieri Navali Codecasa confirms the theory of Masciarelli and Prencipe, showing that new generation and innovation are not only closely related, but interdependent in the F-PEC 24 model. Over the year, all of the Codecasa successors embraced the legacy of the company, inheriting the knowledge and passion for boats of their ancestor, improving the technology and adapting their construction to the taste and style of each of their period

This section will firstly look at the history of the shipyards, spanning from wooden Barcobestia to the 65 m long Regina D'Italia, then it will provide an analysis of the company's specification, leadership, and economic environment. Finally, this paragraph will go on to analyse the generational change that will take place in the coming years due to the retirement of the current leader Fulvio Codecasa, resulting in the installation of his two daughters Fulvia and Elena.



Cantieri Navali Codecasa headquarters

Source: [www.codecasayachts.com](http://www.codecasayachts.com)

### **3.2.1 Cantieri Navali Codecasa history**<sup>35</sup>

Giovanni Battista Codecasa (born 1803), settled in Viareggio in 1825, founding Cantieri Navali Codecasa and began manufacturing sailboats. Already known as "Maestro di Ascia" (a name deserved only to expert boat builders), he would build mainly brigantines, the "goélettes" and "barcobestia"; a sail propelled cargo ship invented in Viareggio in the early XIX<sup>th</sup> century. In 1902, The grandson of Giovanni Battista, also named Giovan Battista Codecasa (1875-1956), known as "Tristino", expanded the shipyard by 1,258 square meters and began building small ships at the "Darsena Lucca". However, due to the limited size of the inner dock, it became necessary to build an additional shipyard for the new "Darsena Toscana". Codecasa's enlarged work area helped the company surviving the Great Depression of 1920, which decimated Viareggio's shipyards. Technical developments in maritime design and production first, and World War I later, had a particularly hard impact on the city of Viareggio and put traditional shipyards in crisis. The two major transitions from wooden to metal construction were brilliantly managed by the Codecasa family, which demonstrated its ability to adapt. Tristino begat five children, four of whom were boys: Ugo (1908-1973), Sandro (1907-?), Antonio (1904-?), Marcello (1912-?), and Rosa (1915-?). Tristino, assisted by his sons Ugo and Sandro, built nearly a hundred ships, including sailing cargo vessels, fishing boats, and other modestly sized sailboats. During the 1930s the family continued to produce at a high level and underwent restructuring, bringing all the factories back to one shipyard. The two brothers Ugo and Sandro continued to work with their father until 1946, when Tristino retired from running the company. Under the two brothers Ugo and Sandro, Cantieri Navali Codecasa restructured again, dividing production into several specialized shipyards, going so far as to innovate production through the division of the various construction tasks. This diversification enabled Codecasa to effectively confront the final shift from wooden to metal boats, which had already begun in the early XX<sup>th</sup> century, becoming one of Italy's forefathers of steel shipbuilding. In the 1960s, brothers took the chance to build big private steel boats and, along with Viareggio-based Benetti, making Viareggio a landmark in world boating. Ugo Codecasa continued to carry on the family business until his death in 1973, when his son Fulvio (1938), 35, took his place. 1973 was a watershed moment for the Codecasa brand. Following his father's death, Fulvio was given

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<sup>35</sup> The analysis of this section is performed through the data provided by Pezzini Carlo, "Viareggio dall'ascia all'acciaio storia della cantieristica e della darsena viareggine" Viareggio: Pezzini Editore and by [www.codecasayachts.com](http://www.codecasayachts.com). Unless otherwise indicated data, tables and figures refer to these sources.

entire control of the shipyards and, with unlimited freedom to develop his ideas and formulate a new strategy, he focused on exploiting the specialized niche of the pleasure boat market. Fulvio firmly believed in the growth of the private yacht sector and the evolution of recreational boating. In 1977 Codecasa established another shipyard in the port area, named Codecasa Ugo, in honour of his father. In 1978, the partnership became a corporation. In 1982, Codecasa Due was also created in Darsena Toscana, integrating the shipyard founded by Fulvio's uncle Sandro. Then, in 1988, the purchase of the bankrupt Giorgetti shipyard enabled Fulvio to create a third shipyard, named Codecasa Tre, right next to Codecasa Ugo. To date, Codecasa has as many as five production sites, four in Viareggio and one in Pisa, and counts among its clients Giorgio Armani, Paolo Bulgari, fashion designers Dolce and Gabbana, Pier Silvio Berlusconi, son of former Prime Minister Silvio Berlusconi, the late Leonardo Del Vecchio and many others. At the helm of the company remains Fulvio Codecasa, along with daughters Elena and Fulvia and their respective husbands. Two of Fulvio Codecasa's grandchildren have also recently joined the company. Each member of the Codecasa team has a distinct job. Codecasa Ugo and Tre manufacture boats ranging in size from 40 to 70 meters, while Codecasa Due builds for the Coast Guard as well as maintains and refits existing vessels. The fourth shipyard in Viareggio is now allocated for the construction of Open and aluminum yachts up to 45 meters in length. The Pisa shipyard (25,000sqm, of which 10,000sqm is covered) comprises of a massive facility separated into four 2,500sqm hangars.

### **3.2.2 Cantieri Navali Codecasa corporate details**<sup>36</sup>

In terms of analysing the corporate details, I will consider two of the three companies into which the Codecasa Shipyard Group is divided, namely "Cantieri Navali Ugo Codecasa S.P.A." and "Cantieri Navali Codecasa Tre S.P.A.," which are the shipyards that deal purely with yacht construction. For this section, and the previous one, I will rely on information provided by Dr. Ezio Vannucci, founder partner at Moores Rowland, one of the major experts concerning the Italian yachting environment, and on quantitative data provided by Camera di Commercio di Lucca. This paragraph's aim is that of stressing the family involvement that characterize Cantieri Navali Codecasa.

#### **CANTIERI NAVALI UGO CODECASA S.P.A.**

Date of start of activity: 21/02/1978

Corporate purpose: Building, refit and lease of yachts made of wood, steel, and aluminium.

President: Fulvio Codecasa

CEO: Elena Codecasa

Directors: Fabio Lofrese, Matteo Bonomo

Share Capital: € 1,003,400.00

Employees: 15

Administration System: Board of Directors

Bare Ownership:

❖ Usufruct Share consisting of: 35,726 ordinary shares

Bare ownership equal to par value: 20,721.08 Euro

CODECASA FULVIO. Type of right: usufruct

CODECASA ELENA. Type of right: bare ownership

CODECASA FULVIA. Type of right: bare ownership

❖ Usufruct Share consisting of: 17,300 ordinary shares

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<sup>36</sup> For this section data are provided by Camera di Commercio

Bare ownership equal to par value: 10,034.00 Euro

CODECASA FULVIO

Type of right: usufruct

CODECASA ELENA

Type of right: bare ownership

In the proportion of 1/2

CODECASA FULVIA

Type of right: bare ownership

In reason of 1/2

❖ Ownership

Share composed of: 1,676,974 ordinary shares

Par value: 972,644.92 euros

**CANTIERI NAVALI CODECASA TRE**

Date of start of activity: 08/03/1988

Corporate purpose: Building, refit and lease of yachts made of wood, steel, and aluminium.

President: Fulvia Codecasa

CEO: Fulvio Codecasa

Directors: Elena Codecasa, Ennio Bonomo, Nicolò Bonomo

Share Capital: € 520,000.00

Employees: 14

Administration System: Board of Directors

Bare Ownership:

❖ Cantieri Navali Ugo Codecasa S.P.A.:

Ownership share consisting of: 990,000 ordinary shares equal to par value:  
990,000,000 Italian Lira.

Type of right: ownership

❖ Fulvia Codecasa

Ownership share consisting of: 5,000 ordinary shares equal to par value:  
5,000,000 Italian Lira

Type of right: ownership

❖ Elena Codecasa

Ownership share consisting of: 5,000 ordinary shares equal to par value:

5,000,000 Italian Lira

Type of right: ownership

### 3.3 Family business questionnaire

After having explained the corporate details of Cantieri Navali Ugo Codecasa S.P.A. and Cantieri Navali Codecasa Tre S.P.A., we shall now introduce a more detailed analysis of Cantieri Navali Codecasa. This paragraph contains the transcript of the interview with Ennio Bonomo, Codecasa group's CEO. The family business questionnaire developed by Masciarelli and Prencipe as part of their study is divided in five sections, each focusing on a different area concerning the family relationship inside the enterprise.

In the first section, I will briefly analyse the characteristic of the firm, while in the second one I will analyse the incumbent entrepreneur position in the firm. From the third section until the fifth, the core of the interview will be covered. In fact, in the third section the role of relationship for what concern the Codecasa group will be included, while the fourth and the fifth will focus on the succession dilemma and the successor. The aim of these questionnaire is to better understand Cantieri Navali Codecasa family business and the succession dilemma related to it.

Interviewer: Francesco Cherubini

First name, last name, and position in the firm of the interviewed person:

Ennio Bonomo, CEO Codecasa group

Questionnaire developed by Masciarelli, F. and Prencipe, A. as part of their study “Dinamiche evolutive delle imprese familiari: il ruolo del capitale umano e del capitale sociale nel ricambio generazionale.”, 2010.

#### Section one: Characteristic of the enterprise

The result of this interview suggest that Codecasa group shall be considered a family business, and the reason why shall be found in the very nature of the firm. The business has been entirely owned by the same family since it was established in 1825. Moreover, the board of directors is exclusively composed by family member. In 2022, the generation that heads the enterprise is attested to be the fifth.

As of 2022, the active employees of the Codecasa group are 75, distributed in 5 shipyards. The production plants are located all within the same region, Tuscany, and divided in two provinces: four are in the Lucca province, while one is in the Pisa province. The industry sector to which

the firm belongs is the marine industry, since Codecasa group build both patrol boat for the Guardia Costiera (Coast Guard) and luxury yacht for wealthy clients. The current share of the firm, according to Mr. Bonomo, is minimum, although it is not possible to accurately calculate it, since every Codecasa yacht is custom made following the desire of the acquirer. For what concern strengths and weaknesses, the firm is financially stable, and enjoy various favourable attributes such as a unique brand name, strategic position of production sites, strategic contacts in the supplier environment and unique knowledge. For what concern weaknesses, they are mainly driven by the high production costs and the long time that the shipyards need to deliver the product.

### Section two: History of the enterprise and the entrepreneur

The incumbent entrepreneur, Fulvio Codecasa, was born in 1938. He is the son of Ugo Codecasa, and the one responsible for having moved Codecasa group from the construction of professional boats to luxury yachts. He has been working for Codecasa since he was 18, accumulating a 60+ years of experience.

For the history of Cantieri Navali Codecasa, see paragraph 3.2.1.

### Section three: The role of relationships

This section analyses how the communication between the family members, the employees and the stakeholders take place.

For what concern communication between the incumbent entrepreneur and family members, it takes place on a daily bases, but also through meetings. Goals for the enterprises are decided jointly by the family members, under the supervision of Fulvio Codecasa. When asked how would the relationship be defined, Mr. Bonomo answered that they were all based on mutual trust, both those with family members and with employees.

The interactions between employees and the entrepreneur happens daily, and it is the same for what concern family members not involved in the business management. For what concern the major stakeholders, the interactions are usually done via meetings weekly, or when necessary.



Moving now to the relationship of the designated successor, Mr. Bonomo states that the correspondence between the successor and the family members involved in the firm's management are based on mutual trust, and it is the same for what concern both the relationship between employees and the main stakeholders.

#### Section four: The generational transition

We shall now introduce the core aspects how this paper's research, which is the succession dilemma. In the second paragraph of this chapter (*The succession dilemma*, 3.1.2), it was made clear that planning the succession is vital in order to make it successful.

According to Mr. Bonomo, the plan to train the designated successor has been implemented all over the past 30 years. In fact, the designated successor has always been working for the company, supported, and instructed by the incumbent entrepreneur. In choosing the successor, the family members have been fully considered, and the choice was definitely made by the incumbent entrepreneur, Fulvio Codecasa. The successor was chosen under a personal choice criterion, and in choosing the successor employees' opinions were not considered. Since the successor come from the family, conflict and jealousy may arise, both inside the family and among employees. Anyway, according to Mr. Bonomo, the firm experienced none of these episodes.

#### Section five: The successor

According to Mr. Bonomo, the successor designated by the incumbent entrepreneur comes from the Codecasa family, her nationality is Italian and she was born in 1966. The highest school degree she obtained is the high school diploma, and before being placed in the enterprise she neither worked in other firms different from the family enterprise, nor did she receive any formation abroad.

When asked if the skill and attitudes of the successor reflect those of the incumbent entrepreneur, the respondent answered that the successor share most of the ability and approach of the previous entrepreneur. Moreover, Mr. Bonomo marked that the successor also shows "the typically feminine sensitivity and empathy."

The designated successor is currently the CEO of Cantieri Navali Codecasa Tre S.P.A., and in the past worked together mostly with clients and suppliers, handling mainly the interior fitting

of the yacht alongside the technician department. For this reason, when asked to specify whether the designed person provides continuity from the strategic leadership of the older generation, the respondent stated that the successor ensure continuity from the older generation in every aspect, emphasizing that, having simply grown up in the firm, she has a complete knowledge of the enterprise and its issues.

## CONCLUSIONS

This research focused primarily on two aspects, recreational boating, and family business, two aspects that at first glance might seem different and unrelated. From the analysis carried out, it is evident how the two are mutually interdependent, since the best creations in the boating environment usually take place in an economic-cultural environment characterized by family business.

From the first part of the research, it has emerged that the Italian recreational boating industry, despite the two crises that have hit it, has held up remarkably well and has been extremely prosperous. Proof of this is to be cited in the industry's extraordinary results in terms of total turnover, trade balance and, above all, exports. Also encouraging are the figures regarding the Italian nautical fleet, despite the fallout suffered in terms of new registrations.

The second part of the research focused mainly on analyzing the various aspects of family business, stressing on the issue of generational change. In this part, this paper deeply analyzed the case of Cantieri Navali Codecasa, to try to understand whether the sixth generational succession that the shipyards will carry out will be as successful as the previous ones. The case of Codecasa shall be considered almost unique, due to the fact that in 197 years of history, the founding family managed not only to remain in possession of the firm, but also gradually develop their business, becoming the leaders of custom steel/aluminum yachts.

A judgment can now be made regarding the succession dilemma, thanks to the support of information provided by means of an interview with Ennio Bonomo, CEO of Codecasa group. According to what emerged from the questionnaire, Codecasa Shipyards has perpetrated the succession plan to form the heir since the successor was hired in the company. This planning certainly makes the company more integral in the face of generational change, as formulated in section 3.1.2. In fact, according to the information gathered in this paper, a detailed planning underpins the success of the succession process, thus increasing the likelihood that Codecasa Shipyards will overcome the generational transfer. Also confirming this are the aspects of both F-PEC and social and human capital. It follows from the interview that the designated successor possesses all the aspects of Power, Experience and Culture theorized by Astrachan. Fulvio Codecasa's successor, thanks to more than 30 years of experience in the family business, has managed to acquire most of the attributes and attitudes of the incumbent entrepreneur, while naturally developing her own as well. The positions she held also facilitated the development of a strong human capital, together with a vast social capital due to close contact with

employees, suppliers, and customers, developing with them relationship based on mutual trust. From the analysis carried out in this paper, it appears that the sixth succession that Cantieri Navali Codecasa will experience in the foreseeable future will be a "proactive succession".

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## APPENDIX

### QUESTIONNAIRE<sup>37</sup>

Interviewer: Francesco Cherubini, 241911.

First name, last name, and role in the company: Ennio Bonomo, CEO of Codecasa group.

#### SECTION 1: Characteristics of the enterprise

- **What are the reasons for considering the enterprise as family-type?**

The business has been managed by the same family since its establishment. The Board of directors is composed exclusively by family members. The firm is owned entirely by family members.

- **In 2022, which generation heads the enterprise?**

The fifth generation.

- **What percentage of the board of directors is composed of family members?**

100%.

- **What was the starting year of the activity?**

1825.

- **In 2022, how many employees are employed in the enterprise?**

75.

- **How many factories are involved in the production process?**

Five shipyards.

- **The production plants are located:**

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<sup>37</sup> Questionnaire developed by Masciarelli, F. and Prencipe, A. as part of their study “Dinamiche evolutive delle imprese familiari: il ruolo del capitale umano e del capitale sociale nel ricambio generazionale.”, (2010).



All within the same region. Four are in the Lucca province, and one in the Pisa province.

- **Specify the industry sector to which the enterprise belongs:**

Both marine and recreational boating industry: patrol boat for the Guardia Costiera (Coast Guard) and luxury yacht design, development, and building.

- **Describe the main activity of the enterprise.**

Cantieri Navali Ugo Codecasa S.P.A. and Cantieri Navali Codecasa Tre S.P.A. undergo as main activity the construction of luxury vessel made of steel/aluminium longer than 25 m. They are also responsible of the repair and refit of their already built vessels. Cantieri Navali Codecasa Due builds patrol vessel for both the Marina Militare (Navy) and Guardia Costiera (Coast Guard).

- **What are the strengths and weaknesses of the enterprise?**

Strengths	Weakness
<ul style="list-style-type: none"><li>• Unique brand name</li><li>• Unique, fully customizable product</li><li>• Strategic position of the production sites</li><li>• Equipment and techniques used to build vessel is technologically advanced</li><li>• Well established supplier network</li><li>• Financial stability</li></ul>	<ul style="list-style-type: none"><li>• High production cost</li><li>• Product takes between 24 and 48 months to be built, depending on length and customization, increasing client's default risk</li></ul>

- **Who are the enterprise's main competitors?**

Regionally: Rossinavi, Azimut-Benetti group, Mangusta Overmarine, Maiora, San Lorenzo, Tecnomar.

Nationally: Ferretti Group, The Italian Sea Group, CRN.

- **What is the current market share of the enterprise?**

Minimum. Anyway, it is not possible to accurately calculate Codecasa's market share given the very nature of the firm and its extremely limited production.

- **Is the enterprise able to attract managers from outside the family?**

Yes, but now we (Codecasa group) are not interested.

## SECTION 2: History of the enterprise and the entrepreneur

- **What is the current entrepreneur's year of birth?**

1938.

- **What is his or her nationality?**

Italian.

- **What was the highest educational qualification the entrepreneur received?**

High school diploma.

- **In total, how many years did the current entrepreneur work in the same industry sector to which his current enterprise belongs?**

± 60 years.

## SECTION 3: The role of relationships

- **How does communication take place among family members?**

In direct ways, mostly on daily basis. Also, through meetings.

- **Do family members jointly define the goals of the enterprise?**

Yes, under the supervision of Fulvio Codecasa.

- **How would you define the relationship that exists between the entrepreneur and the family member involved in the management of the enterprise?**

a. Conflictual;

b. Based on trust;

c. Insignificant.

- **How would you define the relationship that exists between the entrepreneur and member to the family who are not involved in business management?**

a. Conflictual;

b. Based on trust;

c. Insignificant.

- **How would you define the relationship that exists between the entrepreneur and the firm's employees outside the family?**

a. Conflictual;

b. Based on trust;

c. Insignificant.

- **How frequent is the interaction between the entrepreneur and the members of the family members involved in the management of the enterprise?**

On a daily basis.

- **How frequent is the interaction between the entrepreneur and family members who are not involved in the management of the enterprise?**

On a daily basis.

- **How frequent is the interaction between the entrepreneur and the employees of the enterprise outside the family?**

On a daily basis.

- **How frequent is the interaction between the entrepreneur and the main stakeholders of the enterprise?**

Weekly/when needed.

- **How would you define the existing relationship between the successor and the members of the family involved in the management of the enterprise?**

a. Conflictual;

b. Based on trust;

c. Insignificant.

- **How is communication between the successor and members of the family members who are not involved in business management?**

a. Conflictual;

b. Based on trust;

c. Insignificant.

- **How would you define the relationship between the successor and the firm's employees outside the family?**

a. Conflictual;

b. Based on trust;

c. Insignificant.

- **How would you define the existing relationship between the successor and the company's main stakeholders?**

a. Conflictual;

b. Based on trust;

c. Insignificant.

- **How does communication occur between the successor and family members involved in enterprise management? How does communication occur between the successor and family members who are not involved in enterprise management? How does communication occur between the successor and the employees of the**

**enterprise outside the family? How does communication occur between the successor and the enterprise's key stakeholders?**

Via meetings.

#### SECTION 4: The generational transition

- **Is there a plan to train the successor? If yes, how is it articulated?**

Yes. The designated successor has always been working for the company, supported and instructed by the entrepreneur.

- **Does the enterprise have a succession plan? If yes, how has it been developed?**

Yes. It has been developed on a daily basis, through the relationship between the successor and the incumbent entrepreneur.

- **What is the expected duration for the implementation of the entire succession?**

N/A

- **Succession is an important moment of change for the company that brings about many consequences. How do you think it will change the enterprise? What are the most important consequences in organizational terms? What are the consequences in managing relationships with customers and with suppliers? What are the consequences in business strategy?**

Codecasa Group will continue without modifying their leadership/strategy.

- **Who chooses the successor?**

a. The incumbent entrepreneur

b. The board of directors

c. An outside consultant

d. Multiple family members

e. Other

- **In choosing the successor, to what extent was the thinking of of family members who are not involved in the management of the enterprise?**

100%.

- **In choosing the successor, to what extent did the thinking of the employees of the enterprise outside the family?**

None.

- **What were the criteria used in choosing the successor?**

Personal choice.

- **Does the successor come from the family?**

Yes.

- **If the successor comes from the family:**
    - a. **Has there been any conflict or jealousy from other family members?**
- No.
- b. **Have conflicts or jealousies occurred from employees outside the family?**

No.

- **What are his or her current duties and tasks?**

CEO of Cantieri Navali Codecasa Tre S.P.A.

#### SECTION 5: The successor

- **What is the year of birth of the successor?**

1966.

- **What is his or her nationality?**

Italian.

- **What was the highest degree he/she received?**

High school diploma.

- **What are the attitudes and skills of the successor? How do they compare with those of the predecessor entrepreneur?**

The attitudes and skills of the successor are the same as those of the previous entrepreneur, namely: practicality and determination, as well as the typically feminine sensitivity and empathy.

- **We ask you to specify the motivations that prompted the successor to work in the family business.**

The successor simply grew up in the family business.

- **We ask you to specify whether, and to what extent, the designed person provides continuity from the strategic leadership of the older generation.**

Yes, in every aspect.

- **What is the successor's knowledge of the enterprise and its issues?**

The successor has a complete knowledge of the enterprise and its issue.

- **We ask you to describe the strategic plan implemented by the successor in relation to the characteristics of the context in which the impact operates.**

It is not available to the general public.

- **Before joining the family business, did the successor work in other enterprises?**

No.

- **Before being placed in the family business, has the successor had training experiences abroad?**

No.

- **What positions has the successor held in the company since the his or her placement?**

In the past she handled customer and supplier relations, dealing mainly with the interior fittings of the yachts by working alongside the technical department.

- **How is the relationship with the enterprise's key stake holders managed by the successor?**

Via meetings.



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