The Financial Burden of Passing on the Legacy: Exploring Succession Financing in Family Firms

1. Introduction

Many organizations all over the world encounter succession issues at a certain point in time. With almost 450 000 European firms transferring ownership every year, this is affecting more than two million employees. However, it is also estimated that around 150 000 organizations and 600 000 jobs may be lost each year because of unsuccessful business transfers (European Commission, 2020). Indeed, prior research indicates that succession represents one of the most complex situations firms face during their life cycle (Daspit et al., 2016). Family businesses might face even more significant difficulties and challenges regarding the succession process due to the emotional involvement of family members in the firm (Chittoor & Das, 2007). Given the leading role of family firms in our economic system, failures of family business succession can extend beyond the family firm itself and, consequently, negatively impact the worldwide economy's productivity and growth (Koropp, Grichnik, & Gygax, 2013). For that reason, family business succession has been one of the most widely investigated topics within the field of family business research (Calabrò et al., 2018).

The need for financing is a significant challenge in family business ownership transfers due to high transaction costs, such as taxes, payments to the incumbent or other family members, and restructuring expenses. This can obstruct succession and limit growth opportunities if not adequately addressed (De Massis et al., 2008; Koropp, Grichnik, & Gygax, 2013). Therefore, the succession planning process can be jeopardized if financial requirements are not satisfied (Koropp, Grichnik, & Gygax, 2013). While it is expected that additional financing needs may arise during the ownership transition (De Massis et al., 2008), there is a lack of scientific research on succession financing in a family business context. Nevertheless, successors in family businesses often need to secure external financial resources to cover the costs of purchasing shares. Evidence suggests these firms predominantly rely on bank debt to finance this acquisiton (Koropp, Grichnik, & Gygax, 2013; Molly et al., 2010; Romano et al., 2001).

From the bank's perspective, corporate bank loans for succession financing are considered one of the most complex investments due to uncertainties throughout the succession process (Le Breton–Miller et al., 2004). Succession entails significant organizational changes, impacting daily operations and strategic decision-making without guaranteed performance improvements. Moreover, while family business founders typically have built strong relationships with bank loan officers, successors face challenges in building similar relationships due to increased information asymmetry (Weng & Chi, 2024). According to agency theory, uncertainty and lack of information lead to moral hazard and adverse selection, discouraging lenders from providing bank loans (Stiglitz & Weiss, 1981). Bank loan officers address these issues by accessing so-called "soft information" through repeated interactions with firms (Diamond, 1989; Fama, 1985; Petersen & Rajan, 1994). This soft information, involving the officer's subjective assessment of creditworthiness, helps mitigate the impact of aggregate credit contractions (De Mitri et al., 2010; Jiangli et al., 2008). Soft information has the advantage of increasing the predictive capacity of so-called "hard information," like historical performance and standardized risk metrics, such as the debt-to-equity ratio to measure a companys financial leverage (Berger & Udell, 2002; Petersen, 2004), and thus reduces uncertainty. This is crucial for family firms seeking bank loans to finance their ownership succession due to their inherent uncertainty. However, our understanding what types of soft information loan officers rely on such loans to family firms remains limited. Therefore, we seek to gain more insight into the decision-making criteria bank loan officers use when assessing loan applications by family firms requesting a bank loan to finance their ownership succession. More specifically, we will focus on bank lending behavior in the context of intra-family ownership succession, as family businesses are characterized by their unique desire for the transgenerational continuation of the business (Chirico et al., 2020; Miller et al., 2003). In addition, this study draws on insights from the agency theory and succession literature to investigate the influence of professionalization practices since they serve as valuable mechanisms to signal transparency, credibility, and reliability to external stakeholders (Golembiewski, 1983) and can facilitate a smooth transition of leadership and ownership within a family business (Cattaneo & Bassani, 2020; Culasso et al., 2018).

While previous research suggests that professionalization improves access to external financial resources (Stewart & Hitt, 2012), it is important to highlight that this assertion has not been empirically tested thus far in the context of family-owned companies. Nevertheless, bank debt availability to finance intergenerational ownership succession is associated with a unique set of challenges and dynamics. Ownership transitions involve not only financial considerations but also complex family dynamics, governance structures, and long-term sustainability concerns. By focusing on professionalization practices specific to succession financing, we can explore how bank loan officers evaluate these complexities and assess strategies that mitigate uncertainties. Hence, the primary objective of this empirical study is to examine the impact of family business professionalization mechanisms on their ability to secure succession bank financing. In essence, family firms can professionalize in various ways. In this paper, we will focus on five dimensions of professionalization that are highly relevant in a family business and succession context according to the literature, which include the type of previous work experience of the family successor (e.g., Istipliler et al., 2023), the ongoing role of the incumbent after succession (e.g., Ahrens et al., 2018), the inclusion of independent nonfamily board members (e.g., Arosa et al., 2010), the presence of regular family meetings as a family governance mechanism (e.g., Suess, 2014), and the use of advisory services during the succession processes (e.g., Strike et al., 2018).

Our analyses are based on data from a conjoint experiment made up of 1520 assessments of hypothetical loan applications for succession financing by 95 bank loan officers working within different Belgian banks. Conjoint experiments represent a robust methodological approach for investigating individual behavior within a firm-level context (Lude & Prügl, 2020), including bank loan officers' behavior toward family firms. The challenges associated with accessing comprehensive loan data, exacerbated by stringent privacy regulations such as the GDPR, underscore the necessity for alternative research methodologies (Drucker & Puri, 2009). Conjoint experiments offer a viable solution to this lack of lending information, examining diverse factors influencing lending decisions without using actual loan data. Bank loan officers were asked to evaluate their likelihood of supporting the succession loan application by family firms. Given that decisions are nested within individuals, data were analyzed using Hierarchical Linear Modeling (HLM), which accounts for possible autocorrelations among observations.

The research has yielded three main results. First, bank loan officers base their lending decisions to family firms not only on conventional decision criteria derived from hard information but also on criteria specific to family business professionalization practices. Second, the presence of the incumbent, nonfamily board members, regular family meetings, and family business advisors positively influence the likelihood of supporting a bank loan to finance intergenerational succession. Third, professionalization practices involving the inclusion of external parties, such as advisors and independent nonfamily board members, have a stronger effect on bank loan officers' likelihood to support family firm succession financing compared to other professionalization efforts focusing on the family itself, such as the predecessor's involvement and the organization of regular family meetings.

This study makes four contributions to the academic literature. First, our primary contribution is to address a gap in the family business literature regarding succession by examining what drives access to bank loans in a family business succession context. Many family businesses deal with succession, with significant implications for global economic productivity (Daspit et al., 2016; European Commission, 2020). Financing presents a key challenge in successful ownership transfers, potentially jeopardizing succession planning and growth opportunities (Koropp, Grichnik, & Gygax, 2013). Despite its practical relevance, there has been little academic research on this topic. Understanding factors influencing external financial funding, especially lending behavior from the financial institution’s perspective is crucial, given its predominant role as a funding source for firms. Second, we consolidate insights from professionalization research originating from management literature and bank financing research. While prior studies have hinted at a positive association between the professionalization of family businesses and the availability of financial resources (Stewart & Hitt, 2012), empirical evidence is lacking. By addressing this gap, we aim to contribute to the recent family business professionalization literature (e.g., Fang et al., 2022) and bring a more rigorous and evidence-based understanding of the dynamics between family business professionalization and the accessibility of bank debt. Third, our paper provides an extended understanding of lending behavior toward family firms, taking into account different types of family firms, thereby answering calls for researchers to go beyond the comparison between family and nonfamily firms and focus on the heterogeneous nature of family firms (Chua et al., 2012; Nordqvist et al., 2014). By empirically confirming the importance of various professionalization practices in influencing bank loan officers' decisions, we respond to scholars' calls for deeper exploration into family business diversity and its impact on their financial strategies (Michiels & Molly, 2017). Last, there have been several calls for novel research methods in family firm studies, which still rely largely on post hoc research methods such as surveys and interviews (Hair & Sarstedt, 2014; Lude & Prügl, 2020). These methods suffer from a number of shortcomings as respondents may be affected by retrospective bias from misinterpreting what was responsible for an event or action (Golden, 1992). In this study, we employ a conjoint experiment, capturing real-time decisions and avoiding the pitfalls of the post hoc research methods (Sandberg et al., 1989; Shepherd & Zacharakis, 1999). Conjoint analysis has been used in numerous studies on decision-making, especially within the research domains of marketing (De Vos, 2002; Kouki-Block & Wellbrock, 2022; Krystallis & Ness, 2005; Lin & Bowman, 2022) and entrepreneurship (Garrett et al., 2020; Singaram et al., 2024; Souakri et al., 2023; Weniger & Jarchow, 2023)

The paper proceeds as follows. First, relevant family business succession and financing literature is reviewed, and hypotheses are generated. Second, the research design is explained, including the method used, sample selection, and data collection. Third, empirical results are presented. Finally, there is a discussion of key findings, followed by limitations of the study and implications for further research.

2. Literature review and hypothesis development

2.1. An overview of succession decision-making in family firms

Succession comprises "the actions, events, and organizational mechanisms by which leadership at the top of the firm, and often ownership, are transferred from one generation to another" (Le Breton–Miller et al., 2004, p. 305). Within the academic literature of family businesses, succession is among the most widely investigated research topics (Calabrò et al., 2018). This popularity of succession-related studies results from its practical relevance since all family businesses have to deal with the succession decision at a certain point in time. Notwithstanding the recognized importance of the business succession process, it is considered one of the most critical challenges of family firms (Handler, 1994; Le Breton–Miller et al., 2004).

According to Boyd et al. (2014), the initial process of succession starts with a decision about what type of succession the predecessor intends to engage in. There are two aspects to succession in family businesses – the transfer of leadership and the transfer of ownership (Le Breton–Miller et al., 2004). Management succession involves the identification and development of the new CEO to meet all future leadership needs (Blumentritt et al., 2013; Calabrò et al., 2018). This transfer is characterized by the fact that most of the strategic decisions are affected, which requires a well-developed succession plan (Gilding et al., 2015; Marshall et al., 2006). Ownership succession covers the distribution of shares (Blumentritt et al., 2013), requiring family firms to address legal aspects, such as family acts or trusts, inheritance law, business valuation, and tax planning (Haag et al., 2023; Songini et al., 2013). While ownership and management successions often occur simultaneously, especially in private family firms (Block et al., 2011; Wennberg et al., 2011), it is not mandatory for both to align. Then, the family firm has two options – it can transfer the responsibilities of ownership and/or management to a family member or to a nonfamily member. Intergenerational succession refers to the transfer of ownership and/or management to a family member who takes control of the family business when the predecessor decides to step down, whereas nonfamily succession implies the transfer of ownership and/or management to a nonfamily member. It must be said that the transfer of ownership and management roles within a family business does not always involve the same individual. In some cases, ownership may be transferred to a family member while management responsibilities are entrusted to a nonfamily member, or vice versa.

This study focuses on an intergenerational succession of ownership, primarily chosen for its role in preserving the family legacy throughout generations (Chrisman et al., 2004; Chrisman et al., 2003; Chua et al., 1999; DeTienne & Chirico, 2013; Holt et al., 2010; Zellweger & Sieger, 2012). Prior empirical research states that retiring predecessors often wish to pass the business on to their offspring or close family members, as they perceive this succession path as an opportunity for staying involved in and informed about the firm (Dehlen et al., 2014; Zellweger et al., 2012). Additionally, previous research indicates that the distribution of shares should start soon after the leadership transition to empower the new leader and enhance their status (Lansberg, 1988; Poza & Daughtery, 2014).

A common obstacle that prevents intergenerational succession is the need for financing (De Massis et al., 2008). Concerning an intergenerational transfer of ownership, a conventional impediment refers to how the share transition is financed (Koropp, Grichnik, & Gygax, 2013). As opposed to leadership transition, the transfer of ownership entails a shift of a significant stake of equity, which may coincide with a large financing requirement (Sund et al., 2015). Bjuggren and Sund (2005) identified different funding options for transferring the ownership from predecessor to successor. They report two main categories of share transfers. First, shares of the family firm may be transferred through a gift or a will; therefore, no compensation to parents or siblings is required. In this situation, the source of financing is the wealth of the retiring generation. Second, the successor may be obligated to pay an acquisition price to finance retirement and compensate incumbents or siblings.

Especially in the latter case, successors face a significant financial burden, which very often needs to be debt-financed (Bjuggren & Sund, 2005).

When the shares have to be bought, the ownership transfer is usually (partly) financed by the successor. The successor might finance this personally, by using personal savings or obtaining a personal bank loan. As an alternative, the incumbent might offer a vendor loan. Vendor financing refers to the acquisition price not being paid immediately but in future installments (Zellweger, 2017). For intergenerational ownership transfers, a vendor loan is an intra-family loan. However, these financing options have the disadvantage of taxing the incumbent's money twice (Bjuggren & Sund, 2005). One way to overcome this double taxation is by establishing a holding company owned by the younger generation. In this setting, the holding company obtains a bank loan to pay the predecessor the share price. Cash (often in the form of dividends or director fees) will stream from the family firm to the holding company to pay back the loan and its interests. Because cash will stream from the family firm to the holding company to repay the bank loan, credit officers evaluate the family firm in order to assess risk and repayment capacity. This particular setup frequently used in family firms (Janssen, 2020; Janssen et al., 2024), forms the central focus of this study, given its tax advantages for family firms. Figure 8 visualizes the structure of a holding company.

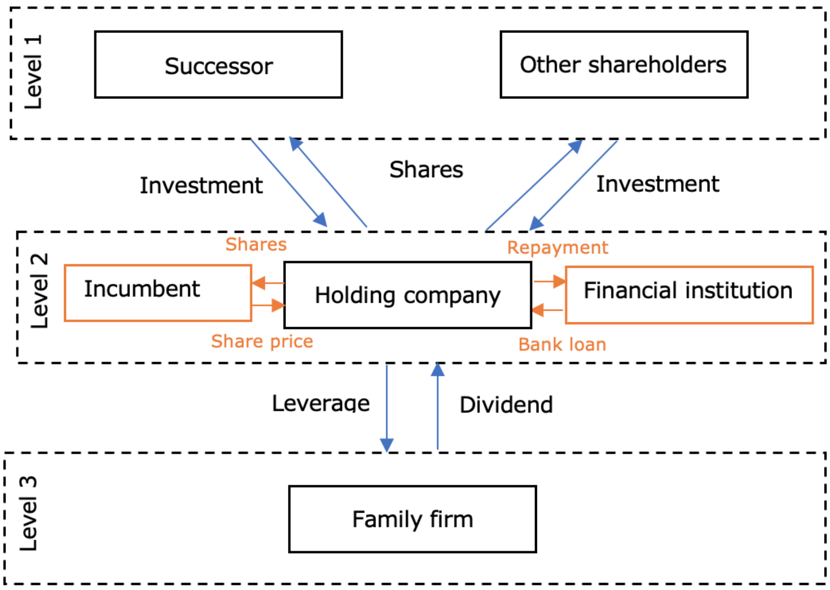

Figure 8. A holding company structure for financing succession (adapted from Janssen (2020)).

2.2. Bank financing and intergenerational ownership succession

Securing corporate bank loans for succession financing is recognized as one of the most complex forms of investment, characterized by inherent uncertainties throughout the succession process (Le Breton–Miller et al., 2004). Consequently, this poses challenges for banks in assessing credit risks and information asymmetry between family business successors and bank loan officers (Gersick et al., 1999; Le Breton–Miller et al., 2004). Financial institutions acknowledge the potential existence of underdeveloped succession choices, which can lead to business failures (Koropp, Grichnik, & Gygax, 2013; Koropp, Grichnik, & Kellermanns, 2013). Nevertheless, up till now, there have been limited attempts to gain an understanding of the behavior of financial institutions during the succession processes.

In general, private family firms often face challenges in lending decisions due to information asymmetry, driven by transparency issues and incomplete or erroneous data (Anderson et al., 2003; Binks et al., 1992). This information asymmetry between the family firm and the external capital suppliers (Bruns & Fletcher, 2008) could lead to opportunistic behavior by the firm, potentially resulting in moral hazard and adverse selection problems (Stiglitz & Weiss, 1981). Therefore, banks must evaluate borrowers' default risk accurately to manage uncertainties associated with loans and determine appropriate financing terms (e.g., interest rates, collateral). Bank loan officers assess loan repayment likelihood through the collection of hard information like cash flow statements and business plans (Bruns & Fletcher, 2008; Fletcher, 1995) and soft information, encompassing human behavior complexities and borrower characteristics, which influence loan officers' perceptions of repayment capabilities (Iyer et al., 2016). The evaluation of soft information, referred to as a subjective judgment, is based on intuition and impressions, addresses uncertainties, and reduces information asymmetries beyond what hard information captures (Carter et al., 2007; D'Aurizio et al., 2015; Wilson, 2016). This is especially crucial for family firms seeking bank loans to finance their ownership succession due to their inherent uncertainty. Hence, soft information significantly impacts lending decisions (Agarwal & Hauswald, 2010; Berger et al., 2001; Petersen & Rajan, 1994; Qian et al., 2015). Therefore, family businesses try to convince banks of their creditworthiness by signaling their qualities through soft information (Berger & Black, 2011).

Family business professionalization practices serve as valuable mechanisms to signal transparency, credibility, and reliability to their external stakeholders (Golembiewski, 1983). Indeed, other groups of stakeholders, such as private equity investors, interpret the adoption of professional practices as evidence of a family business's reliability, transparency, and strategic foresight (e.g., Howorth et al., 2016; Schickinger et al., 2018). In the context of intergenerational succession, professionalization practices signal their commitment to trustworthiness (Gabrielsson & Huse, 2005) and long-term sustainability after succession (Songini et al., 2024).

Over the course of time, the concept of professionalization received increasing attention in the family business research domain. Professionalization was defined as the recruitment of nonfamily professional managers in most early studies (Chang & Shim, 2015; Chittoor & Das, 2007; Chua et al., 2009; Gedajlovic et al., 2004; Zhang & Ma, 2009). Nevertheless, the current interpretation of the professionalization construct is that it not only encompasses the level of nonfamily involvement in management, but also other important related aspects such as governance systems and board activity (Dekker et al., 2013; Howorth et al., 2016; Polat, 2021; Polat & Benligiray, 2022). The professionalization of a family business involves a comprehensive transformation encompassing various organizational changes (Polat & Benligiray, 2022).

In essence, family firms can professionalize in various ways. In this paper, we will focus on five specific dimensions of professionalization that are deemed the most relevant within the context of a family business and succession context according to the literature: the type of previous work experience of the family successor (e.g., Istipliler et al., 2023), the ongoing role of the predecessor after ownership succession (e.g., Ahrens et al., 2018), the inclusion of independent nonfamily board members (e.g., Arosa et al., 2010), the presence of regular family meetings as a family governance mechanism (e.g., Suess, 2014), the use of advisory services during the succession processes (e.g., Strike et al., 2018).

The impact of previous work experience of the family successor

In the context of succession, it is crucial for family firms to prioritize effective management and skilled managers (Exler et al., 2015). This strategic focus contributes to the overall professionalization of the business. A family member can effectively serve as a professional manager if they possess the necessary management qualities through formal or informal management training and conduct themselves in a professional manner (Polat, 2021). Management qualities, considered indivisible and intangible resources, significantly impact firm performance, with prior work experience serving as a crucial indicator in assessing a family firm's successful succession and future prospects (De Massis et al., 2008). It is thus likely that also lending officers will assess the successor's experiences as a foundation for evaluating the family business' future prospects. Prior work experience of the family successor can be classified into two types: work experience within the family business and outside the family business. While bank loan officers aim to gain a clear understanding of the intentions and management capabilities of the successor (Exler et al., 2015; Molly et al., 2012), there is no conclusive empirical evidence regarding whether prior work experience within or outside the family business results in better firm performance (Finkelstein et al., 2009; Wennberg et al., 2011).

Some studies found that family businesses that operate in industries where tacit knowledge forms the basis for their competitive advantage can create a sustainable competitive advantage managed by successors with inside work experience compared to work experience outside the family business (e.g., Boyd & Royer, 2012). Work experience within the family business enables the individual to acquire skills that are uniquely relevant to the family firm and may not have general applicability or transferability outside the firm, i.e., tacit knowledge. Effectively managing a family business requires navigating decision-making processes in an environment characterized by incomplete information. Such decision-making lacks formal teaching and relies on socialization through shared experiences gained within the family firm (Hatak & Roessl, 2015; Le Breton–Miller et al., 2004). Driven by stewardship considerations, other studies emphasize the potential of prior experience within the family firm to cultivate performance-enhancing stewardship behavior, aligning the leader's interests with corporate success (Donaldson & Davis, 1991; Konopaski et al., 2015; Le Breton-Miller & Miller, 2015).

On the other hand, inspired by the literature on behavioral economics, some argue that work experience within the family firm may be related to a negative influence on firm performance (Hambrick & Mason, 1984; March & Simon, 1993; Simon, 2013). When family successors spend time in the family business before taking over, they learn how things work and absorb the firm's values deeply. However, this deep understanding might sometimes lead to making decisions based on past experiences, which cause dysfunctional cognitive biases (e.g., false or outdated wisdom) (Istipliler et al., 2023; Shepherd et al., 2003). As a consequence, previous research started to consider previous work experience outside the family firm as a solution for the negative biases related to work experience within the family business. Previous work experience outside the family business may allow the individual to interact with several bosses and other stakeholders under several different circumstances. Working outside the family business teaches individuals concepts, generic skills, and analytical skills applicable in most business contexts. Such diverse experiences can be highly instructive in developing managerial skills and judgment (McCall et al., 1988) and necessary for opportunity recognition for the growth of the family business (Sardeshmukh & Corbett, 2011). In other words, work experience outside the family firm will provide the potential successor with greater exposure to more innovative ideas, leading to the inclusion of new knowledge that was not present within the family business yet. Indeed, according to Letonja and Duh (2016), it is important that successors gain external work experience in other businesses to finalize the takeover of the inherited business and focus on the opportunity to embrace innovativeness for the future of the family business.

While external work experience may not provide the successor with the tacit knowledge to run the family business (Goldberg, 1996), we argue that previous work experience outside the family business can mitigate information asymmetry between the bank loan officer and the family business by indicating a higher level of professionalization and competence beyond the family context. Additionally, previous work experience outside the family business might also be perceived positively due to the family successor's ability to signal their capacity to perform effectively in diverse organizational contexts, independent of family influences. This is in line with previous research, suggesting that having work experience outside the family business is a crucial practice to construct the necessary knowledge to lead the family business after succession successfully (Ge & Campopiano, 2022). Such experience suggests that the family successor has acquired skills, knowledge, and exposure to diverse work environments, which are typically associated with increased professionalism and expertise, thereby reducing information asymmetries. Thus,

Hypothesis 1 (H1): *The likelihood of bank loan officers supporting succession financing in a family firm is higher if the family successor has gained outside work experience.*

The importance of incumbent involvement after intergenerational succession

In public firms with dispersed ownership, a predecessor often leaves the firm for good (Boeker & Karichalil, 2002). However, prior research on family business succession highlights an increasingly prevalent phenomenon where incumbents often remain active within the organization in various ways (Cabrera-Suarez, 2005; Cadieux, 2007; Chung & Yuen, 2003; Feltham et al., 2005), called "owner's role adjustment" (Handler, 1990). Overall, this continued involvement of the retiring generation post-succession can impact firm outcomes, including performance and strategic change (Querbach et al., 2020), with findings indicating both positive and negative effects. Nevertheless, it is important that both the incumbent and successor effectively combine the incumbent's experience with the successor's skills, which seems to be a challenge (Zellweger, 2017).

From an agency theory perspective, the ongoing participation of the incumbent may indicate a focus on pursuing private benefits instead of maximizing firm profits, hence creating agency costs for minority shareholders (Villalonga & Amit, 2006). In particular, family firm incumbents may derive personal satisfaction from retaining influence over the business (Sonnenfeld & Spence, 1989). There are various reasons describing the incumbent's hesitation to retire (Filser et al., 2013). Incumbents often struggle to envision a future without holding a prominent leadership position within the family business (Kets de Vries, 1985). This may stem from concerns about losing prestige within the family and community, as these aspects are frequently linked to their role in the family business (Sharma et al., 2001). Previous studies on family firm succession suggest that incumbents tend to uphold the existing state of affairs within the business, potentially hindering performance improvements and adaptive responses to changing organizational needs (Beck et al., 2008; Daspit et al., 2016; Kotlar et al., 2020; Mitchell et al., 2009). Indeed, previous research identified the incumbent's inability to 'let go' as the single largest problem in succession (Davis & Tagiuri, 1989; Handler, 1989; Kepner, 1983). The hesitance to give up control may also manifest in attempts to mold successors in their own image, potentially reducing the development of the successor's leadership abilities (Cabrera-Suárez et al., 2018; Hall, 1986; Handler, 1990). Moreover, resistance from powerful incumbents can hinder successors' ability to adopt strategic changes, gain confidence in their managerial role, and establish credibility with other stakeholders (Chalus-Sauvannet et al., 2016; Marler et al., 2017; Stavrou et al., 2005; Zellweger et al., 2011). Consequently, the ongoing role of the incumbent might result in conflicts between them and their successors, creating agency costs (Harvey & Evans, 1995).

However, from a stakeholder point of view, the predecessor's continued operational involvement within the business helps the predecessor to monitor the successor and ensure a smooth transition (Schlepphorst & Moog, 2014), which shows external stakeholders that (s)he still believes in the future of the firm (Ahrens et al., 2018). Moreover, the close connection between the successor and the predecessor may act as a form of monitoring and motivation, even without the formal separation of ownership and control. Consequently, this results in reduced agency conflicts between owners and managers (Fama & Jensen, 1983; Granovetter et al., 1985), which is expected to positively influence bank loan officers' lending behavior (Fama & French, 2004).

From a stewardship perspective that applies to many family firm owners (Albanese et al., 1997; Donaldson, 1990; Le Breton-Miller & Miller, 2015), the incumbent is often motivated to ensure the prosperity of the family firm and the family (Davis et al., 1997; McMullen & Warnick, 2015; Muskat & Zehrer, 2017), thus reducing the likelihood of type II agency problems (Ahrens et al., 2018). In practice, many family predecessors aim to secure family wealth upon their retirement (Kerkhoff et al., 2004) and, thus, are intrinsically motivated to facilitate a successful intergenerational succession. Assuming the role of steward, the incumbent can serve as a supportive team player, easing pressures on the successor and enhancing their effectiveness (McGregor, 1989). As a mentor, the incumbent can familiarize the successor with the family firm's culture, share valuable insights, and provide access to a network of contacts (Cabrera-Suárez et al., 2001; Le Breton–Miller et al., 2004; Morris et al., 1997), which is crucial as successors sometimes lack the family firm-specific knowledge (Hambrick & Fukutomi, 1991). Additionally, the conjunction of additional managerial resources from successor and incumbent can create additional value through synergy and allows the creation of ideas and expert knowledge within top management or board of directors (Krause et al., 2016; Sundaramurthy et al., 2014).

Following these contrasting theories, ex ante it is ambiguous whether the incumbent involvement after succession mitigates or exacerbates firms' access to bank debt to finance ownership succession. However, consistent with the literature on professionalization practices, we argue that the active involvement of the incumbent may bring a sense of professionalism to the family business by leveraging their experience and knowledge, facilitating strategic decision-making, and ensuring continuity (Hambrick et al., 2005; Lorsch & Zelleke, 2005; Tirole, 1986; Westphal, 1999).

Additionally, we argue that their active participation enhances the external perception of the business, signaling stability and commitment to professional management practices. Thus,

Hypothesis 2 (H2): *The likelihood of bank loan officers supporting succession financing in a family firm is higher if the family predecessor remains active within the firm.*

The role of nonfamily directors in the board of directors

The board of directors holds a central role in the governance of a company, serving as a vital vehicle to implement the owners' goals (Arzubiaga et al., 2018; Dalton et al., 1999). One of the legal duties of the board is to manage successful leadership succession (Gallo & Kenyon-Rouvinez, 2005; Van den Heuvel et al., 2006). With the collective goal of ensuring family firm continuity, the board intends to execute succession planning activities (Lane et al., 2006). Board members can persuade the family CEO of the benefits of timely succession planning, leveraging their expertise and objectivity (Blumentritt, 2006; Lansberg, 1988; Poza & Daughtery, 2014). This proactive involvement of the board in succession matters enhances the governance of the company and effective succession planning (Umans et al., 2020). As a consequence, the professionalization of the board appears to be "a key instrument in allowing a better family business balance and ensuring family business continuity" (Brenes et al., 2011, p. 280). Therefore, the independence of boards in family firms is crucial, and the presence of nonfamily directors determines their level of independence (Filatotchev et al., 2005; Lefort & Urzúa, 2008). Board members that are independent of the controlling family contribute to enhancing potential investor confidence in the quality of corporate governance within family firms (Dalton et al., 1999; Hillman & Dalziel, 2003; Zahra & Pearce, 1989).

Given the board's role in providing credible information and reducing potential risks, research suggests that external investors value the presence of a controlling board as it enhances the effectiveness of management oversight (Fiegener et al., 2000). These independent directors are expected to monitor management's self-interest more effectively than dependent directors (Lane et al., 2006; Songini, 2006; Whisler, 1988; Yildirim-Öktem & Üsdiken, 2010). While the relationship between the presence of independent board members and bank debt availability has already been examined in prior studies (Anderson et al., 2004), these studies overlooked the unique governance structure of a family firm, with the exception of Chua et al. (2011). Overall, governance in family firms diverge from those in nonfamily firms. Central to many definitions of family businesses is the notion of family involvement in ownership and management (Chua et al., 1999). Consequently, governance involves mitigating conflicts arising from the dual roles family members play in both familial and business spheres, while also fostering cohesion among family members (Lane et al., 2006).

In general, a board has two primary tasks, namely the monitoring and the providing advice. First, the board serves as a monitoring mechanism. Agency theory underscores the importance of independent directors on the board to address particular agency problems between owners and managers (Fama & Jensen, 1983; Jensen & Meckling, 1976). Nevertheless, this agency problem appears less significant within family-owned enterprises, where ownership is highly concentrated. In such cases, the dominant shareholders possess adequate incentives, authority, and information to oversee top-level management effectively (Jensen & Meckling, 1976). However, a high concentration of ownership may give rise to other challenges and associated costs within the realm of corporate governance. Concerns such as asymmetric altruism, free-rider dilemmas, and the potential entrenchment of family members could potentially outweigh or negate the benefits stemming from the agency relationship between owners and managers (Chua et al., 2009; Schulze et al., 2003; Schulze et al., 2001). Therefore, according to agency theory, the primary role of independent directors lies in their capacity to remain independent while supervising operational matters, safeguarding the firm's assets, and ensuring managerial accountability to key stakeholders, thereby safeguarding the enterprise's future viability and prosperity (Gabrielsson & Huse, 2005).

The other primary function of the board of directors is to offer guidance and support to the management (Corbetta & Salvato, 2004a, 2004b; Daily et al., 2003; Gubitta & Gianecchini, 2002; Hillman & Dalziel, 2003; Muth & Donaldson, 1998; Pieper et al., 2008). In this perspective, boards of directors consist of competent individuals who assist managers in enhancing their decision-making processes by offering their expertise, skills, and diverse perspectives during boardroom discussions (Minichilli et al., 2009). Essentially, board members provide guidance and assistance to top managers, serving as a valuable resource for corporate governance (Donaldson & Davis, 1991). In situations where there is strong alignment between the goals of owners and managers, organizations may require less oversight from the board (Davis et al., 1997; Luoma & Goodstein, 1999; Muth & Donaldson, 1998; Sundaramurthy & Lewis, 2003). According to the stewardship theory, families acting as stewards may appoint independent directors to the board to provide industry-specific expertise, impartial advice, or to advocate for the overall health and sustainability of the corporation. These directors can also significantly contribute to the formulation of strategic change initiatives within family businesses (Brunninge et al., 2007; Fiegener et al., 2000; Voordeckers et al., 2007). Based on the presented arguments, the hypothesis regarding the impact of the composition of the board is stated as follows,

Hypothesis 3 (H3): *The likelihood of bank loan officers supporting succession financing in a family firm is higher if the board of directors includes independent nonfamily directors.*

The impact of the presence of regular family meetings

As family businesses transition across generations, conflicts may arise among family members involved in running the firm (Calabrò et al., 2017; Santulli et al., 2019), potentially impacting profitability. These conflicts stem from differing views on business objectives and opportunistic behavior driven by personal interests (Calabrò et al., 2017; Santulli et al., 2019; Schulze et al., 2001). Family members do not always act as stewards of the business but may also act in the interests of their own nuclear family (Miller & Le Breton-Miller, 2006). This can lead to conflicts, especially when there are differences in the identities and intentions between the founder and the second generation (Bertrand & Schoar, 2006). The introduction of new generations with diverse priorities may lead to decisions that are not aligned with the firm's well-being (Lubatkin et al., 2007).

To mitigate (potential) conflicts among family members, it may be important to professionalize the relationships between the family and the business through rules and communication methods (Arteaga & Menéndez-Requejo, 2017; Songini, 2006). Establishing mechanisms that manage the family’s influence on the business and develop collective expectations and plans for succession are an important element in the professionalization process in family firms (Suess, 2014) (Mustakallio et al., 2002).

Family meetings stand out as one of the most fundamental and recurrent forms of family governance structures (Parada et al., 2020). Family meetings, where family members convene to discuss business and/or family matters (Habbershon & Astrachan, 1997; Neubauer & Lank, 2016), are the simplest and most common form of such mechanisms (Martin, 2001; Neubauer & Lank, 2016). They serve as platforms for active and passive family members to discuss both company-related and family-related issues, fostering collaboration and joint problem-solving. They also cultivate a sense of unity among family members, emphasizing the interconnectedness of the company's success with the well-being of the family and vice versa (Koładkiewicz, 2014).

Family meetings serve four main purposes in mitigating the negative effects of altruism and management entrenchment (Siebels & zu Knyphausen-Aufseß, 2012). First, they provide a platform for addressing and resolving issues before they impact the business (Arteaga & Uman, 2020; Davis et al., 1997). Next, they have an educational function, particularly beneficial for younger generations (Carlock, 2010; Ward, 2016). Additionally, family meetings facilitate the implementation of planning activities such as estate plans, business missions, family missions, and succession plans, contributing to family business professionalization (Martin, 2001). Last, these meetings foster communication and information sharing, aligning divergent interests and maintaining emotional attachment to the firm (Arteaga & Uman, 2020; Mustakallio et al., 2002). Ultimately, family meetings cultivate social connections among family members, which directly influence strategic decision-making and encourage a long-term perspective for company operations (Arteaga & Escribá-Esteve, 2021; Mustakallio et al., 2002).

In conclusion, we expect that family meetings can help control altruistic expropriations and management entrenchment. Therefore, controlling the opportunistic behavior of family members is a positive signal to lenders that can increase credibility when accessing loans since family meetings help to raise the reliability and credibility of the governance mechanisms for creditors (Duréndez et al., 2019). Thus,

Hypothesis 4 (H4): *The likelihood of bank loan officers supporting succession financing in a family firm is higher if the family organizes regular family meetings.*

The role of family business advisors during succession processes

Family firms often face conflicts among family members during succession due to the strong emotional ties family owner-managers maintain with their businesses (Zellweger & Astrachan, 2008). Disagreements among family members on priorities and procedures can frequently lead to negative emotions and hinder successful succession (Eddleston et al., 2008). Hence, managing relationship issues becomes crucial for a smooth succession process (Davis & Harveston, 1999; Morris et al., 1997). Furthermore, information asymmetry and divergent goals between incumbents and external stakeholders, such as suppliers, generate agency costs (Michel & Kammerlander, 2015). Advisors play a vital role in supporting families and firms by clarifying goals, organizing tasks, defining successor criteria, and establishing a succession timeline (Chrisman et al., 2009). Consequently, family business literature has placed a growing emphasis on the pivotal role of advisors (Blair & Marcum, 2015; Reay et al., 2013; Salvato & Corbetta, 2013; Strike, 2012, 2013) and external consultants in providing guidance on specific issues (Strike, 2012). Indeed, recent studies show that advisors have an important role in family business succession (Bertschi-Michel et al., 2021).

In the context of bank debt availability, previous studies have recognized the significant positive effect of the presence of advisors in alleviating information asymmetries between banks and SMEs, particularly through financial advisory services (Rostamkalaei & Freel, 2017). Nevertheless, family firms encounter the unique challenge of harmonizing financial objectives with competing nonfinancial goals for which advisors can provide invaluable support (Strike et al., 2018), emphasizing the importance of relational and emotional advisory services. More specifically, advisors can enhance the efficacy of the succession process by mentoring incumbents and successors, offering fresh insights into succession dynamics (Salvato & Corbetta, 2013), or mediating differing viewpoints to reach compromising solutions (Lane et al., 2006; Thomas, 2002). Previous research shows that advisors can positively impact decision quality, family collaboration, family dynamics, learning orientation, innovativeness, and strategic planning by supplying external perspectives and high-quality feedback (Davis et al., 2013; Reay et al., 2013; Strike, 2013). In conclusion, prior research has shown that the presence of a third-party advisor positively affects crucial processes in family-owned SMEs such as succession (e.g., Salvato & Corbetta, 2013). Based on the previous arguments, we therefore propose the following hypothesis,

Hypothesis 5 (H5): *The likelihood of bank loan officers supporting succession financing in a family firm is higher if there are advisors providing guidance on the relational and emotional aspects of family business succession.*

3. Method

3.1. Sample selection

The experiment was conducted with a sample of 98 loan officers from six different Belgian banks that were actively and regularly involved in loan applications of small and medium-sized family businesses in the succession phase. Respondents were contacted by email, LinkedIn or phone, and were introduced to our research experiment. When they agreed to participate, they received an instruction sheet, an explanation of variables and levels used, and the profiles to be evaluated through an online survey tool. These documents are displayed in Appendix E.

Out of the 465 contacted bank loan officers, 98 bank loan officers ultimately participated in the experiment, which is in line with other studies conducting a conjoint experiment (e.g., Bruns & Fletcher, 2008; Shepherd, 1999; Shepherd et al., 2000). The sample captures loan officers with a wide range of age and experience. The participants' ages ranged from 25 to 65 years (mean = 44.68, SD = 11.151), and their experience in lending ranged from 1 to 42 years (mean = 18.76, SD = 11.041). The respondents were mostly male (73.50%), had a master's degree (72.50%), and typically operated in firm segments between 15 million and 100 million euros in revenues (i.e., SMEs). Most of the participants assessed, on average, about one to ten credit applications on ownership succession per year. Additionally, we asked the participants if they could rate their knowledge about the characteristics of family businesses through lectures, networking, training, or personal experiences on a seven-point Likert scale. Participants indicated that they have good knowledge about the characteristics of family firms (mean = 5.41, SD = 1.147). Table 8 gives an overview of the construction of the sample.

Variable	**Mean**	**Min**	**Max**	**SD**

Gender				0.444
Male	73.50%			
Female	26.50%			
Age (in years)	44.68	35	65	11.151
Degree				0.581
Bachelor’s	24.50%			
Master’s	72.50%			
Other	3.00%			
Type of education				0.329
Economic	87.50%			
Noneconomic	12.20%			
Lending experience (in years)	18.76	1	42	11.041
Experience in the firm segment				0.609
< 15 million euros in revenue	36.70%			
15-100 million euros in revenue	55.10%			
> 100 million euros in revenue	8.20%			
Experience in ownership succession				1.476
0 credit applications	3.10%			
1-5 credit applications	39.80%			
6-10 credit applications	30.60%			
11-15 credit applications	7.10%			
16-20 credit applications	3.10%			
More than 20 credit applications	16.30%			
Member of a family firm				0.275
Yes	8.20%			
No	91.80%			
Family business familiarity (7-point Likert scale)	5.41	2	7	1.147

Table 8. General and demographic characteristics of respondents.

3.2. Experimental design

We employed a conjoint experiment to decompose the decision policies of our sample. Conjoint analyses involve participants making a series of judgments of hypothetical profiles of potential firms that are described through combinations of different levels of predefined criteria or attributes. By making judgments about varying combinations of different levels of variables, conjoint analysis allows the researcher to identify the relative contribution of each attribute (Hair et al., 1998) and examine the underlying structure of the participant’s cognitive system by decomposing the various judgments into part-worth utilities (Shepherd & Zacharakis, 1999). This method has been used in several studies on venture capitalist decision-making (Choi & Shepherd, 2004; Shepherd, 1999;

Shepherd & Zacharakis, 2002; Shepherd et al., 2003) and private equity investors (e.g., Dawson, 2011) and has been identified as a solid method to study the participants' decision-making processes.

Within the experiment, the credit officers were asked to evaluate a series of scenarios concerning a hypothetical private family firm and to indicate the likelihood that they would support their loan application for succession finance. These scenarios are developed based on interviews conducted with bank loan officers as part of the preparatory phase for this experiment. These interviews aimed to identify scenarios most frequently encountered by bank loan officers and were conducted prior to the experiment's design. In all the presented scenarios, we started from base case company characteristics. The family business has an annual turnover of 16 million euros, employs 55 full-time equivalents, sells five products, and maintains a stable market share in Belgium. The competition is moderate, and the top five customers contribute 40 percent to total sales. The founder, currently the owner-CEO, plans to retire and sell his shares to one of his three daughters, who is interested in taking over the firm. The other two daughters are not involved but have received 10 percent of the shares in the past. The father seeks a fair market price for two reasons: to finance his retirement and to ensure fairness for his two other daughters in terms of inheritance equal rights. The successor lacks personal funds and applies for a five million euro bank loan for seven years, with the remaining five million euros financed through equity and a vendor loan. The father will also simultaneously transfer his role as CEO to the successor.

The future prospects of each family firm in the different scenarios are similar. The financial situation (such as liquidity, profitability, repayment capacity, and equity) is also the same in each scenario. In addition, we provided the participants with the following financial information: based on this financial situation alone, no clear decision can be made, i.e., the financial situation of the family business and the daughter is not such that the credit must be rejected outright or can be easily approved. Finally, the family firm has an established relationship with the bank, but it is a new contact for the lending officer. This means that the family firm is new to the bank loan officer, where relationship lending cannot directly affect the decision-making of the credit officer.

The attributes that differ between the firms capture the heterogeneity in terms of the level of professionalization. We selected five attributes, each attribute having two levels (e.g., high vs. low). In line with our hypotheses, these attributes were the type of previous work experience of the family successor, the ongoing role of the predecessor, the presence of nonfamily board members, the presence of regular family meetings, and the use of advisory services during the succession process. Given that there were five variables, the total number of possible scenarios was $2^5 = 32$. The inclusion of all 32 scenarios would have been overwhelming to score by one credit officer. Because respondent fatigue has been shown to impact conjoint experiences adversely (Reibstein et al., 1988), we took steps to reduce this by using an orthogonal fractional factorial design. This design resulted in the creation of eight hypothetical family firms consisting of a combination of the five attributes, which enables us to explore each main effect (Hahn & Shapiro, 1966). Each of the profiles was then fully replicated to allow for a comparison of the original profiles with the replicated ones (i.e., test-retest reliability) and also to provide the error term necessary to conduct analysis at the individual level.

Before the execution of the experiment with bank loan officers, a pilot study was conducted with 10 fellow academics and three credit officers to ensure that the attributes and levels chosen in the scenarios were realistic and represented the variation that typically occurs in the decision environment of bank loan officers (Zacharakis & Shepherd, 2001).

3.3. Variables and measures

In this research, the dependent variable is represented by the evaluations made by bank loan officers regarding their probability of providing a bank loan to finance the succession to the hypothetical family firm. Furthermore, five independent variables are represented by the scenarios' decision attributes (i.e., the successor's work experience, incumbent's involvement, the presence of independent nonfamily directors, the occurrence of family meetings, and the use of advisors).

Dependent variable

The dependent variable was the bank loan officers' assessment of the likelihood that they would support the loan application of the family firm in the succession phase. They were asked to answer the following question: "Based on the above parameters, how likely are you to support the credit request of this family business?" This is an ordinal variable, measured on a seven-point Likert scale, ranging from "not at all likely" (corresponding to the score "1") to "very likely" (corresponding to the score "7").

With this dependent variable, we asked the participants about their behavioral intentions with respect to the lending decision, which allowed them to make inferences regarding their actual behavior regarding that specific family firm in the succession phase. In this context, Ajzen (1991) affirms that individuals' behavioral intentions are the immediate driver of their behavior, so the measure of the loan officer's decision-making within this study is appropriate to capture the loan officers' actual decision-making strategies.

Independent variables

Five decision cues were used, each with two possible levels: (1) the previous work experience of the family successor, (2) the incumbent involvement, (3) the presence of nonfamily directors in the board of directors, (4) the occurrence of family meetings, and (5) the use of advisors. See Table 9 for details on attributes and levels. Figure 9 provides an example of a particular scenario that bank loan officers had to evaluate.

Attribute	**Level**	**Description**
The previous work experience of the family successor	Internal (1)	The daughter started working directly within the family business after graduating and held various positions for ten years. Since last year, she has been in a managerial position.
	External (0)	The daughter began working for another company in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
The incumbent involvement	High (1)	Although the father no longer has an operational role, he retains his office and plans to come to the company on a weekly basis after the transfer.
	Low (0)	The father no longer has an operational role and does not intend to come to the family business frequently.
The presence of independent nonfamily board members	High (1)	After the transfer, the father remains a member of the board of directors, which includes both family members and external directors.
	Low (0)	After the transfer, the father remains a member of the board of directors, which consists only of family members.
The occurence of regular family meetings	High (1)	Conversations with the father and daughter reveal that the family gathers semi-annually to discuss the family business.
	Low (0)	Conversations with the father and daughter indicate that the family does not hold family meetings to discuss the family business.

The use of advisory services	High (1)	The family is guided by an external advisor (for emotional and relational aspects) during the succession process.
	Low (0)	The family is not guided by an external advisor (for relational and emotional aspects) during the succession process.

Table 9. Details of the attributes.

Suppose the following additional information regarding the family business:

1. The daughter began working for another company in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
2. Although the father no longer has an operational role, he retains his office and plans to come to the company on a weekly basis after the transfer.
3. After the transfer, the father remains a member of the board of directors, which consists only of family members.
4. Conversations with the father and daughter reveal that the family gathers semi-annually to discuss the family business.
5. The family is guided by an external advisor (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit request of this family business for approval?

1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Figure 9. Example of a scenario.

4. Data analysis and results

To assess reliability, an average test-retest correlation was examined (Hardy & Bryman, 2004), revealing a high level of consistency in judgment. This addresses the potential concern of artificiality often associated with experimental designs (Raser, 1969). Out of the 98 participants who completed the experiment, 3 (3%) exhibited poor test-retest reliability (test-retest correlation < 0.5). This proportion of non-reliable participants aligns with findings from other conjoint studies (Holland & Shepherd, 2013; Patzelt & Shepherd, 2011). Consistent with the methodology employed in previous conjoint studies (Monsen et al., 2010; Patzelt & Shepherd, 2016), the non-reliable participants were excluded from further analysis. Consequently, a final sample of 95 participants remained for analysis.

Among the 95 final respondents, their responses demonstrated significant reliability ($p < 0.001$), with a mean test-retest reliability of 0.998. These results affirm that experienced decision-makers typically exhibit a high level of consistency in judgment (Shepherd et al., 2000).

The conjoint experiment consists of 1520 observations, meaning there were 16 decisions made by each of the 95 individuals. The generated data points are not independent as every 16 decisions are nested within one individual, and these might differ from other individuals because of individual-specific experiences, values, and mental models. Therefore, it is likely that the generated data is characterized by autocorrelation, i.e., individual-level variance (Patzelt & Shepherd, 2011), which makes it very difficult to apply OLS regression models. Consequently, researchers conducting conjoint experiments often turn to Hierarchical Linear Modeling (HLM) for data analysis. HLM, a widely used multilevel technique (Raudenbush & Bryk, 2002), has been applied in studying investor decision-making (Choi & Shepherd, 2004) as well as in various other studies focusing on entrepreneurial and strategic decision-making (Barsade, 2002; Brundin et al., 2008; DeTienne et al., 2016; Eddleston et al., 2008). Unlike ordinary least squares (OLS) approaches, which simply aggregate individual-level data for analysis, HLM considers meaningful individual-level variance in the outcome measure (Bryk & Raudenbush, 1992). However, Field et al. (2012) caution against automatic reliance on HLM, advocating for an assessment of its necessity to avoid unnecessary complexity in empirical data analysis. General linear models (e.g., OLS, ANOVA) are notably simpler to handle than HLM.

To assess the necessity of HLM for accurately analyzing the dataset, the fit of linear regression models (model 1.1 and model 1.2) was compared to that of multilevel linear models (model 2.1 and model 2.2). Specifically, comparisons were made between intercept-only models (model 1.1 vs. model 2.1) and main effects models (model 1.2 vs. model 2.2). The results, as presented in Table 10, demonstrate that both the Akaike information criterion (AIC) and the Bayesian information criterion (BIC), representing measures of relative model fit, significantly improve when employing a multilevel linear model ($p < 0.0001$). Consequently, utilizing a HLM approach is advisable for analyzing the generated data.

Name	Model	df	AIC	BIC	LogLik	Test	L.Ratio	P-value
Model1.1	1	2	4977.876	4988.529	-2486.9397			
Model2.1	2	3				1 vs 2	223.60	0.000
Name	**Model**	**df**	**AIC**	**BIC**	**LogLik**	**Test**	**L.Ratio**	**P-value**
Model1.2	1	7	4402.248	4439.533	-2194.1239			
Model2.2	2	8	3999.364	4041.976	-1991.692	1 vs 2	404.88	0.000

Table 10. Comparison between General Linear Modeling and Multilevel Model.

Table 11 reports the correlations of the attributes. There is a high positive correlation between the likelihood of supporting succession financing and the presence of advisors in family businesses, indicating a strong association with bank loan officers’ decision-making. There are moderately strong positive correlations between the likelihood of supporting a bank loan to finance intergenerational ownership succession and the presence of nonfamily board members, incumbent involvement, and the presence of regular family meetings. Last, there is a very weak positive correlation between the likelihood of supporting succession financing and the prior work experience of the successor. Certain classes of experimental designs, including orthogonal designs, have the desirable property of independent variation by requiring that correlations among attributes all be zero (Johnson et al., 2013), which is the case in our experiment.

	Bank loan officer’s decision
Bank loan officer’s decision	1.0000
Prior work experience successor	0.0222
Incumbent involvement	0.2255**
Presence nonfamily board members	0.2711**
Occurrence of regular family meetings	0.1769**
Presence advisors	0.4045**

Table 11. Correlations.

Our results in Table 12 show that four out of the five factors were statistically significant. The findings provide evidence that bank loan officers are more likely to support succession bank financing in family businesses when the incumbent remains actively present within the company, the board of directors comprises nonfamily directors, regular family meetings are conducted, and advisory services are utilized during succession processes. However, the impact of previous work experiences of the family successor was not significant.

These findings are presented in Table 12, encompassing decision factors, coefficients (β), corresponding standard errors, and levels of significance. Table 12 indicates that four decision attributes had a significant effect ($Z > 1.645$) on the decision-making of bank loan officers in their assessment to support bank financing for ownership succession. The sign of each coefficient indicates the preference for each dummy variable. A negative sign indicates a preference for that level dummy coded zero (e.g., incumbent involvement is low), and a positive sign indicates a preference for the level dummy coded 1 (e.g., incumbent involvement is high). The coefficient for each significant main effect was positive. This indicates that bank loan officers, when evaluating family firms, demonstrate a preference for high incumbent involvement ($p < 0.001$), the presence of nonfamily board members ($p < 0.001$), the presence of regular family meetings ($p < 0.001$), and the presence of family business advisors ($p < 0.001$). These findings provide support for Hypotheses 2, 3, 4, and 5. The factor "previous work experience of the successor" was not significant, and therefore, Hypothesis 1 is not supported. In the case of this particular study, with its previously described sample, the underlying data suggests that lending officers associate rather positive characteristics with professionalization practices in family firms.

DECISION	Coef.	Std. err.	z	P > |z|	(95% conf. interval)	
Prior work experience successor	0.0552632	0.0665004	0.83	0.406	-0.0750751	0.1856015
Incumbent involvement	0.5605263	0.0758459	7.39	0.000	0. 4118711	0.7091815
Presence nonfamily board members	0.6736842	0.056965	11.83	0.000	0. 5620348	0.7853336
Occurrence of regular family meetings	0.4394737	0.0456639	9.62	0.000	0.3499742	0.5289732
Presence advisors	1.005263	0.0621256	16.18	0.000	0.8834993	1.127027
_cons	3.588158	0.1226383	29.26	0.000	3.347791	3.828525

Table 12. Bank loan officers' decision model.

While multiple attributes may exert significant influence on the decision-making process, it is unlikely that these attributes will be of equal importance. Thus, in addition to assessing significance at the aggregate level of analysis, it is valuable to rank their relative importance through a comparison of beta coefficients (β). Beta coefficients represent regression coefficients when all variables are expressed in standardized (Z-score) form. Standardizing the independent variables allows for more comparable coefficients by eliminating differences in units of measurement (Shepherd & Zacharakis, 2000). This analysis of the relative importance of bank loan officers' decision-making factors to evaluate family businesses in a succession phase demonstrates that the presence of family business advisors ($\beta = 1.005263$) is the most important in bank loan officers assessment of whether they would support a bank loan to finance intergenerational ownership succession, followed by the presence of nonfamily board members ($\beta = 0.6736842$), the involvement of the incumbent ($\beta = 0.5605263$), and the presence of regular family meetings ($\beta = 0.4394737$). The previous work experience of the successor appears to be of minimal importance ($\beta = 0.0552632$). Overall, the effect size of professionalization practices involving the inclusion of external parties (i.e., advisors and independent nonfamily board members) tends to be higher than the effect size of professionalization efforts focusing on the family itself (i.e., the predecessor's involvement and regular family meetings)

5. Discussion

Business succession is considered to be a challenging event for many family firms. Despite the large attention in family business research on this phenomenon, many studies have focused on how family firms deal with this important step in their life cycle. Less knowledge is available on how stakeholders such as financial institutions are involved in the whole process and perceive intergenerational transfer. This study attempts to extend previous research on family firm succession by developing and empirically testing a conceptual model of bank debt availability to finance intergenerational succession. Although succession financing represents a significant precondition for a successful intergenerational ownership transfer for family firms (De Massis et al., 2008; Koropp, Grichnik, & Gygax, 2013), research on the financing of ownership succession remains very limited. We relied on insights from corporate finance and succession research to study the lending behavior of bank loan officers in the context of succession financing toward family firms. By means of a conjoint experiment made up of 1520 assessments of hypothetical loan applications for succession financing by 95 bank loan officers working within different Belgian banks, the empirical results of our study provide support for the relevance of soft information by bank loan officers in the context of succession financing. We found significant relationships between the likelihood of supporting a bank loan to finance ownership succession and several professionalization practices. Our results contribute to the existing literature in the family business succession research field and the general corporate finance research field.

5.1. Theoretical implications

First, our study addresses a critical but still unresolved issue in the family business succession research field concerning the significance of external stakeholders in the success of ownership transfers. Traditionally, research in this area has predominantly concentrated on contextual factors focusing on the family business itself, such as organizational structure, individual capabilities, and family dynamics (Koropp, Grichnik, & Gygax, 2013). While these factors undoubtedly play crucial roles in succession planning and execution, they represent just one aspect of family business succession. What sets our study apart is its recognition of the vital role played by banks in the succession process. As highlighted by Rodriguez Serna et al. (2023), external nonfamily stakeholder groups, including banks, are an important part of a successful transfer and, therefore, must be considered. The current study is in line with recent literature, such as Chaudhary et al. (2021), that proposes to focus on how perceptions of external stakeholders influence a family firm's succession. Nevertheless, we still lack knowledge about how family firms influence bank loan officers' behavior. Accordingly, we offer insights into the perceptions of a critical stakeholder group, bank loan officers, by examining the lending behavior toward family firms.

Second, we shed further light on the debate about the heterogeneity of family businesses (Daspit et al., 2021) by distinguishing among components of family business professionalization. This allows us to move beyond studying differences between family and nonfamily firms with regard to their access to succession bank loans. Differences within the group family businesses may be even larger than differences between family and nonfamily firms (Chua et al., 2012). Therefore, scholars have called to consider the diverse nature of family businesses (Chua et al., 2012; Nordqvist et al., 2014). We empirically confirm the importance of various family business professionalization practices in bank loan officers' decision-making. Namely, our results indicate that in the specific context of intergenerational ownership succession, the level of incumbent involvement, the presence of nonfamily board members, the presence of regular family meetings, and the presence of family business advisors positively influence credit officers' lending behavior. In doing so, we answer a research call of Michiels and Molly (2017) for a deeper exploration of the heterogeneity among family businesses and its impact on their financial strategies by examining whether higher levels of professionalization indeed enhance access to external financing.

In line with this, we also further advance the literature on family business professionalization by examining the effect of professionalization practices on the accessibility of external resources in a succession context. Prior studies in family business research have concluded that professionalization leads to improved financial lending terms (Barden et al., 1984) and an increased probability of securing private equity funding (Dawson, 2011). Our research brings an additional financial rationale to this body of evidence, highlighting the significance of professionalization in financial outcomes since it appears to increase the likelihood of receiving bank financing to finance intergenerational succession. We included diverse professionalization techniques in our analysis, in line with the suggestion of Songini (2006) for a more comprehensive understanding of professionalization. First, bank loan officers place value on the presence of the predecessor, who offers invaluable insights into the family business and its culture while also providing access to the family firm's network to ensure a smooth transition (Cabrera-Suárez et al., 2001; Le Breton–Miller et al., 2004; Morris et al., 1997; Schlepphorst & Moog, 2014). This close connection between the successor and the predecessor serves as a form of monitoring and motivation, leading to reduced agency conflicts. Second, bank loan officers also recognize the inclusion of independent nonfamily directors in the board as a control and advising mechanism for the controlling family, thereby enhancing potential investor confidence in the quality of corporate governance within family firms (Dalton et al., 1999; Hillman & Dalziel, 2003; Zahra & Pearce, 1989). Third, the organization of regular family meetings instills confidence among lending officers when supporting bank financing for succession purposes. These meetings serve to control altruistic expropriations and management entrenchment, thereby reducing agency costs (Duréndez et al., 2019). Finally, the involvement of advisory services concerning the emotional and relational aspects of intergenerational succession helps to mitigate information asymmetries by mediating differing viewpoints and providing solutions to family conflicts (Lane et al., 2006; Thomas, 2002), which increases the likelihood of bank loan officers supporting bank loans for succession within family firms.

Our findings also indicate that professionalization practices involving the inclusion of external parties, such as advisors and independent nonfamily board members, have a stronger effect on bank loan officers' likelihood to support family firm succession financing compared to other professionalization efforts focusing on the family itself, such as the predecessor's involvement and regular family meetings. This suggests that bank loan officers prioritize external expertise and objectivity over internal family dynamics. This preference aligns with bank loan officers' rational strategy, as evaluating the impact of family professionalization of family dynamics presents challenges. As outsiders, lending officers have difficulties evaluating intentions and incentives (Jensen & Meckling, 1976). Because of this asymmetric information, bank loan officers lack information about the intentions of family members and, therefore, have difficulties evaluating their capabilities and actions (Sinkey, 1992). For instance, the involvement of the predecessor can also lead to resistance to relinquishing control, potentially affecting family business performance (Cabrera-Suárez et al., 2018). Assessing the predecessor's intentions and their impact on business performance is difficult for loan officers. Similarly, while regular family meetings mitigate various agency problems such as altruism (Siebels & zu Knyphausen-Aufseß, 2012), loan officers face difficulty in evaluating its impact on firm outcomes. This is especially the case in family firms where less information concerning the family is revealed. Since family meetings occur internally and their contents are not disclosed to outsiders, loan officers lack insight into discussions and agreements made, making it challenging to assess their effects on family business performance.

Contrary to our first hypothesis, we did not find a significant relationship between the type of prior work experience of the family successor and the likelihood of supporting a bank loan to finance intergenerational succession, preventing us from drawing a definitive conclusion. It appears that external prior work experience is not necessarily perceived as better than the internal prior experience of the family successor when evaluating bank loans to finance intergenerational succession. This aligns with previous studies on the influence of family successors' work experience on firm performance, where the superiority of internal versus external experience remains uncertain (Boyd & Royer, 2012; Istipliler et al., 2023). Family business scholars have introduced the contingency model of family business succession, aimed at explaining the circumstances under which family businesses might benefit from external or internal work experience (Royer et al., 2008). This framework posits that the type of knowledge crucial for achieving competitive advantage in specific contexts can aid in determining the most suitable successor to enhance organizational performance post-succession. According to this model, internal work experience is favored in situations where there is a significant relevance of tacit family business-specific knowledge for gaining a competitive edge. When tacit knowledge holds significant value for a family business to realize competitive advantages in its market, there are potential benefits associated with the presence of a family successor with internal work experience (Royer et al., 2008). Through lifelong learning within the family context, members may have enhanced access to tacit knowledge specific to the family firm. Tacit knowledge, known for its stickiness, is challenging to transfer to other contexts (Szulanski, 2000; Von Hippel, 1994), thus amplifying its value in establishing isolating mechanisms and potentially laying the groundwork for sustainable competitive advantage. Therefore, while bank loan officers may not explicitly favor one type of work experience over the other, understanding the nuances of the family business context and the potential competitive advantages associated with internal work experience can provide valuable insights into their decision-making process regarding financing for intergenerational succession.

Our study provides valuable insights for bank managers, particularly in assessing the alignment between their credit policies and the perceptions of professionalization practices among lending officers. By comparing our findings with their own credit policies, bank managers can identify any discrepancies that may exist. This process may motivate bank managers to consider revising their guidelines or influencing lending officer behavior to ensure that their lending decisions are consistent with the perceived importance of professionalization practices. Moreover, our research sheds light on the current decision-making practices within financial institutions, offering valuable insights that can potentially aid bank managers in enhancing their decision-making processes. By understanding how lending officers evaluate professionalization practices, bank managers can implement strategies to improve the consistency and effectiveness of their lending decisions, thereby mitigating risks and maximizing opportunities.

Finally, we hope that our work offers guidance for family business owners and their advisors regarding the significance of specific professionalization practices in securing succession financing. By highlighting the factors that lending officers prioritize when evaluating loan applications, family business owners can better understand the expectations of financial institutions and adapt their professionalization efforts accordingly. This insight can inform strategic decisions and actions aimed at enhancing the professionalization of the business, ultimately increasing the likelihood of securing financing for succession and facilitating business sustainability and growth.

5.2. Practical implications

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5.3. Limitations and future research

We acknowledge the existence of limitations, some of which offer interesting avenues for future research. First, while conjoint analysis aims to approximate "real-world" decision-making processes, it inherently faces limitations as it can only partly capture relevant factors. In our conjoint experiment, bank loan officers were required to base their likelihood to support succession financing on only five organizational attributes describing the professionalization practices of the family firm. In reality, bank loan officers would have access to a much broader and more detailed array of information regarding the family firm and the business environment. Despite these constraints, research has demonstrated that conjoint experiments possess strong validity and offer accurate reflections of individuals' decision-making behavior in real-world scenarios (Brown, 1972; Hammond

& Adelman, 1976). Additionally, efforts were made to mitigate limitations by conducting a pilot test and providing detailed instructions to participants.

Second, the conjoint experiment only included five decision attributes and did not consider other potentially relevant cues. While we included these decision attributes based on their importance in family business succession literature, it would be interesting to investigate other attributes influencing family business succession as well. For instance, drawing on entrepreneurship literature, Porfírio et al. (2020) identified various personal characteristics of successors and organizational characteristics of the family business to influence the outcome of succession. Considerations such as the formal education of family successors, known to affect post-succession performance positively (Morris et al., 1997), may also influence bank loan officers' lending behavior toward family businesses undergoing transition as previous research indicates that the level of education increases the perception of creditworthiness (Abdulsaleh & Worthington, 2013). Additionally, factors like the gender of the family successor, which is fixed in our scenario, have been shown in previous research to affect succession outcomes (Kubíček & Machek, 2019). Given that female-led firms often obtain less bank financing (Moro et al., 2017), gender might also play a role during credit requests to finance ownership succession.

In line with this, the way in which we presented the levels of attributes related to professionalization practices might have influenced how bank loan officers interpret and evaluate them. For example, if we describe a scenario where the previous owner remains actively involved in day-to-day operations, attends all meetings, and continues to make key decisions, this portrayal could lead bank loan officers to view the situation negatively. They may perceive such continued involvement as a hindrance to the autonomy and authority of the current successor, as stated by the agency theory (Villalonga & Amit, 2006). Overall, the specific formulation of attribute levels can shape bank loan officers' perceptions of professionalization practices within family businesses. It is, therefore, important to consider how these descriptions may influence their evaluations and interpretations when conducting research or making business decisions.

Third, there may be concerns about the generalizability of the findings, given that the sample only examined Belgian bank loan officers' judgment and decision-making policies. Previous literature on corporate governance indicates that the legal environment and the structure of financial markets are expected to influence agency conflicts (Claessens et al., 2000; Durnev & Kim, 2005; Lins, 2003; Stulz, 2005; Weinstein & Yafeh, 1998). Ellul et al. (2007) discovered that the institutional environment, which governs how market participants are regulated, significantly influences loan officers' behavior and, consequently, the availability of loans to family firms. Different countries have varying regulatory frameworks, leading to potential differences in loan officers' decision-making rules. However, since this paper only examined decision attributes with a softer, non-directly financial nature, it is assumed that the institutional environment may not significantly influence loan officers' assessments of these informational cues. Nonetheless, conducting replications of this study in other countries would be beneficial to enhance the generalizability of the findings and eliminate potential country-specific effects.

Next, another limitation of our conjoint experiment pertains to the exclusive focus on measuring the likelihood of bank loan support without concurrent consideration of the potential risk mitigation strategies adopted by family businesses. Specifically, our study did not incorporate an assessment of the extent to which family enterprises may diminish lending risks through the provision of business or personal collateral (Steijvers & Voordeckers, 2016). Therefore, examining financing conditions, such as the cost of credit and collateral, could provide valuable insights into and a better understanding of how bank loan officers provide bank finance to family businesses.

Further studies could also explore how individual characteristics of bank loan officers influence their decision-making. The experiment of Bruns et al. (2008) found that specific human knowledge regarding lending toward SMEs significantly impacts bank loan officers' lending decisions, indicating that their previous experience impacts decision-making processes. Prior experiences with a particular type of organization can influence one's perception of that type of organization (Cable et al., 2000; Williams, 2001). In a similar way, future research could explore how lending officers' experiences with family firms affect their lending decisions. Another research avenue is to investigate the bank loan officers' decision-making process further by combining the experimental approach with interviewing the individual lending officer concerning the rationale behind his or her assessment(s). The lending officers' reasoning when evaluating hypothetical credit requests could further understanding of credit assessment.

6. Conclusion

This study provides insights into bank loan officers' credit decision-making concerning intergenerational ownership succession of family firms. Our results demonstrate that professionalization practices impact credit officers' lending behavior and lead to higher bank debt availability to finance ownership succession. Bank loan officers place the strongest emphasis on the implementation of professionalization practices concerning external influences, such as the inclusion of independent nonfamily board members and the use of advisory services related to the emotional and relational aspects of intergenerational succession. These findings should create significant potential for further research in the field of family firm research and should trigger research on the lending behavior toward family firms as an under-examined area of research (Michiels & Molly, 2017).

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E. Chapter 4 – Experimental document in English

RCEF
RESEARCH CENTER FOR ENTREPRENEURSHIP AND FAMILY FIRMS
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RESEARCH ON THE FINANCING OF THE FAMILY SUCCESSION OF SMEs

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The goal of this research is:
To investigate the credit decision-making process regarding the financing of the family ownership succession of an SME.

The experiment consists of two parts and will take a maximum of 25 minutes of your time:

- In the first part, you will be asked to evaluate several fictional family businesses (a family business is defined as a company in which the majority of shares are owned by one family).
- In the second part, there are a few short questions about yourself. All information will be treated as completely confidential and anonymous.

Please carefully read the instructions:
This facilitates the process and forms the basis for a proper analysis of the experiment. There are no right or wrong answers for the fictional credit applications.

Thank you very much for your cooperation!

Instructions:

Through the link on the last page, we kindly request you to evaluate a series of fictional family businesses that are applying for credit with you to finance the family ownership succession. For each credit request, please indicate the likelihood of approval on a scale from 1 (very unlikely) to 7 (very likely).

In each scenario, the following medium-sized family business is involved:

The family business is in the process of preparing for the family business transfer, transitioning from the founder to the second generation. To finance this transfer of shares, a bank loan for the financing of the ***family ownership succession*** is requested by the successor.

The family business operates in the production sector, with an ***annual turnover of 16 million euros*** and employs ***55 full-time equivalents***. The company manufactures five different products and holds a ***stable market share in Belgium***. There is no exceptionally weak or intense competition within the market. The five largest customers contribute to 40% of the company's turnover. Regarding the overall economic climate, you may assume the ***current economic situation*** when evaluating all credits.

The company was established as a public limited company 20 years ago. The founder, currently the owner-CEO, will ***sell his shares*** to one of his three daughters who wishes to take over the business. The other two daughters are not involved in the family business and have no interest in continuing it. In the past, 10% of the shares were already gifted to each daughter. The father has two reasons to ***ask for a fair market price*** from the 35-year-old successor. Firstly, the father plans to retire and needs financial resources to fund this. Secondly, the father aims not to disadvantage his other two children in terms of additional gifts and inheritance. However, the successor ***does not have sufficient personal financial means*** to finance this transfer and will need to rely on bank financing by establishing a holding company. The ***selling price of the father's shares is 10 million euros.*** The ***requested credit amount is 5 million euros*** for a ***term of seven years***. The remaining 5 million euros will be financed through own resources and a vendor loan. In addition to the company's shares, the father will ***also transfer his role as CEO to the successor***.

Although the company is already a customer of your bank, you have never personally handled a credit request from this company. Consequently, ***you do not yet have a customer relationship*** with the current owner-CEO and its successor.

Assume that all other parameters not mentioned here, yet relevant for your credit decision, are equal for all scenarios you will evaluate below. For example, the financial situation (such as liquidity, profitability, repayment capacity, and equity) is the same for all scenarios we will present to you. Based on this financial situation alone, no clear decision can be made, i.e., ***the financial situation of the family business and the acquirer is not such that the credit should be rejected outright or can be easily approved.***

Each scenario you will see contains different combinations of the following five features:

1.	The daughter started working directly ***within the family business*** after graduating and held various positions for ten years. Since last year, she has been in a managerial position.	OR	The daughter began working for ***another company*** in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
2.	Although the father no longer has an operational role, ***he retains his office and plans to come to the company on a weekly basis after the transfer***.	OR	The father no longer has an operational role and ***does not intend to come to the family business frequently***.
3.	After the transfer, the father remains a member of the board of directors, which consists ***only of family members***.	OR	After the transfer, the father remains a member of the board of directors, which includes ***both family members and external directors***.
4.	Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.	OR	Conversations with the father and daughter indicate that the family ***does not hold family meetings*** to discuss the family business.
5.	The family ***is guided by an external advisor*** (for emotional and relational aspects) during the succession process.	OR	The family ***is not guided by an external advisor*** (for emotional and relational aspects) during the succession process.

The following link redirects you to the questions:
http://bit.ly/Financiering-familiebedrijven

PART 1: FAMILY FIRMS TO EVALUATE

Firm A

1. The daughter began working for ***another company*** in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
2. Although the father no longer has an operational role, ***he retains his office and plans to come to the company on a weekly basis after the transfer***.
3. After the transfer, the father remains a member of the board of directors, which includes ***both family members and external directors***.
4. Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.
5. The family ***is guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm B

1. The daughter began working for ***another company*** in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
2. Although the father no longer has an operational role, ***he retains his office and plans to come to the company on a weekly basis after the transfer***.
3. After the transfer, the father remains a member of the board of directors, which consists ***only of family members***.
4. Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.
5. The family ***is guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm C

1. The daughter began working for ***another company*** in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
2. The father no longer has an operational role and ***does not intend to come to the family business frequently***.
3. After the transfer, the father remains a member of the board of directors, which includes ***both family members and external directors***.
4. Conversations with the father and daughter indicate that the family ***does not hold family meetings*** to discuss the family business.
5. The family ***is not guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm D

1. The daughter began working for ***another company*** in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
2. The father no longer has an operational role and ***does not intend to come to the family business frequently***.
3. After the transfer, the father remains a member of the board of directors, which consists ***only of family members***.
4. Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.
5. The family ***is not guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm E

1. The daughter started working directly ***within the family business*** after graduating and held various positions for ten years. Since last year, she has been in a managerial position.
2. The father no longer has an operational role and ***does not intend to come to the family business frequently***.
3. After the transfer, the father remains a member of the board of directors, which consists ***only of family members***.
4. Conversations with the father and daughter indicate that the family ***does not hold family meetings*** to discuss the family business.
5. The family ***is guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm F

1. The daughter started working directly ***within the family business*** after graduating and held various positions for ten years. Since last year, she has been in a managerial position.
2. Although the father no longer has an operational role, ***he retains his office and plans to come to the company on a weekly basis after the transfer***.
3. After the transfer, the father remains a member of the board of directors, which includes ***both family members and external directors***.
4. Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.
5. The family ***is not guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm G

1. The daughter started working directly ***within the family business*** after graduating and held various positions for ten years. Since last year, she has been in a managerial position.
2. The father no longer has an operational role and ***does not intend to come to the family business frequently***.
3. After the transfer, the father remains a member of the board of directors, which includes ***both family members and external directors***.
4. Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.
5. The family ***is guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm H

1. The daughter started working directly ***within the family business*** after graduating and held various positions for ten years. Since last year, she has been in a managerial position.
2. Although the father no longer has an operational role, ***he retains his office and plans to come to the company on a weekly basis after the transfer***.
3. After the transfer, the father remains a member of the board of directors, which consists ***only of family members***.
4. Conversations with the father and daughter indicate that the family ***does not hold family meetings*** to discuss the family business.
5. The family ***is not guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm I

1. The daughter began working for ***another company*** in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
2. Although the father no longer has an operational role, ***he retains his office and plans to come to the company on a weekly basis after the transfer***.
3. After the transfer, the father remains a member of the board of directors, which includes ***both family members and external directors***.
4. Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.
5. The family ***is guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm J

1. The daughter began working for ***another company*** in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
2. Although the father no longer has an operational role, ***he retains his office and plans to come to the company on a weekly basis after the transfer***.
3. After the transfer, the father remains a member of the board of directors, which consists ***only of family members***.
4. Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.
5. The family ***is guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm K

1. The daughter began working for ***another company*** in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
2. The father no longer has an operational role and ***does not intend to come to the family business frequently***.
3. After the transfer, the father remains a member of the board of directors, which includes ***both family members and external directors***.
4. Conversations with the father and daughter indicate that the family ***does not hold family meetings*** to discuss the family business.
5. The family ***is not guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm L

1. The daughter began working for ***another company*** in the same sector as the family business after her studies, where she held various positions for ten years. Since last year, she has been working within the family business in a managerial position.
2. The father no longer has an operational role and ***does not intend to come to the family business frequently***.
3. After the transfer, the father remains a member of the board of directors, which consists ***only of family members***.
4. Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.
5. The family ***is not guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm M

1. The daughter started working directly ***within the family business*** after graduating and held various positions for ten years. Since last year, she has been in a managerial position.
2. The father no longer has an operational role and ***does not intend to come to the family business frequently***.
3. After the transfer, the father remains a member of the board of directors, which consists ***only of family members***.
4. Conversations with the father and daughter indicate that the family ***does not hold family meetings*** to discuss the family business.
5. The family ***is guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm N

1. The daughter started working directly ***within the family business*** after graduating and held various positions for ten years. Since last year, she has been in a managerial position.
2. Although the father no longer has an operational role, ***he retains his office and plans to come to the company on a weekly basis after the transfer***.
3. After the transfer, the father remains a member of the board of directors, which includes ***both family members and external directors***.
4. Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.
5. The family ***is not guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm O

1. The daughter started working directly ***within the family business*** after graduating and held various positions for ten years. Since last year, she has been in a managerial position.
2. The father no longer has an operational role and ***does not intend to come to the family business frequently***.
3. After the transfer, the father remains a member of the board of directors, which includes ***both family members and external directors***.
4. Conversations with the father and daughter reveal that the ***family gathers semi-annually*** to discuss the family business.
5. The family ***is guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

Firm P

1. The daughter started working directly ***within the family business*** after graduating and held various positions for ten years. Since last year, she has been in a managerial position.
2. Although the father no longer has an operational role, ***he retains his office and plans to come to the company on a weekly basis after the transfer***.
3. After the transfer, the father remains a member of the board of directors, which consists ***only of family members***.
4. Conversations with the father and daughter indicate that the family ***does not hold family meetings*** to discuss the family business.
5. The family ***is not guided by an external advisor*** (for emotional and relational aspects) during the succession process.

Based on the above parameters, how likely are you to support the credit application of this family business for approval?

Very unlikely			Neutral			Very likely
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

PART 2: ADDITIONAL QUESTIONNAIRE

(1) What is your gender

- ☐ Male
- ☐ Female
- ☐ X

(2) What is your age?

_________ years

(3) What is your highest attained diploma?

- ☐ Bachelor's degree
- ☐ Master's degree
- ☐ Doctorate
- ☐ Other: _________

(4) What was your field of study?

- ☐ Economic
- ☐ Non-economic

(5) How many years have you been working as a banker for firms in the general banking sector?

_________ years

(6) In which turnover category do the companies you usally deal with as a banker fall?

- ☐ < 15 million euros turnover
- ☐ 15-101 million euros turnover
- ☐ > 100 million euros turnover

(7) How many credit applications related to the transfer of shares do you typically handle per year?

- ☐ 0 credit applications
- ☐ 1-5 credit applications
- ☐ 6-10 credit applications
- ☐ 11-15 credit applications
- ☐ 16-20 credit applications
- ☐ More than 20 credit applications

(8) To what extent do you have knowledge about the characteristics of family business through lectures, networking, training, or personal experience?

Little			Neutral			Much
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

(9) Are you a shareholder of a family business?

☐ Yes
☐ No

If yes, are hou a potential successor of this family business?

☐ Yes
☐ No

(10) Please indicate the extent to which you agree or disagree with the following statements:

Safety first.

1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

I do not take risks with my health.

1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

I prefer to avoid risks.

1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

I take risks regularly.

1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

I really do not like not knowing what is going to happen.

1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

I usually see risks as a challenge

1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐

I consider myself a ...

risk avoider						risk seeker.
1	2	3	4	5	6	7
☐	☐	☐	☐	☐	☐	☐