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The Interplay of Family Ownership and Financial Decision-Making in Sustaining Lebanese Family Businesses

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Abstract
Purpose – This study explores the impact of ownership structure on governance mechanisms and financing decisions in Lebanese family businesses. Through a multidimensional lens, it examines the role of family meetings in fostering cohesion and mitigating agency costs, as well as managing divergent strategic visions in terms of financial decision-making preferences.

Design/methodology/approach – The 20-item survey was distributed to a sample of 238 family-owned and managed businesses resulting in 117 fully completed responses.

Findings – Research findings reveal a positive relationship between family ownership and governance, as well as between family governance and both internal financing and debt financing. Conversely, a negative relationship is observed between family governance and equity financing.

Research limitations – A longitudinal approach would have offered a deeper understanding of how financial strategies and governance structures change over time, particularly as ownership transitions from founders to successors or more distant family members.

Practical implications – Intergenerational conflicts can lead to shortages in internal liquidity, particularly when passive members demand higher dividend distributions, thereby compelling the family business to seek external financing through debt or equity to sustain its operations.

Originality/value – Drawing from theoretical and empirical frameworks, this research addresses a critical gap in the literature: the absence of a cohesive model that explains the relationship between ownership structures and financial governance in family enterprises.

Keywords:
Family ownership, Governance, Internal financing, Debt financing, Equity financing.

1. Introduction
The evolution of family businesses is complex and multidimensional (Polat, G., 2021). Family meetings play a crucial role in managing internal challenges, as the interdependence between family and business requires harmony and frequent consensus. This interdependence leads to constant interaction between family actors and their values, creating a space for discussion where everyone expresses their positions to reach a consensus (Arteaga & Uman, 2020).

Communication strengthens cooperation and reduces organizational costs, promoting cohesion and solidarity (Cabrera-Suárez et al., 2014). However, the intergenerational effect complicates management, especially when the dispersion of ownership leads to divergences of interests between managing members and passive shareholders (Schulze et al., 2003). Conflicts of interest emerge when family managers prioritize their own interests over those of the extended family (Qiu and Freel, 2020). Thus, family ownership and control significantly influence financial decisions. Often, strategies are conservative to preserve control and ensure intergenerational stability, leading to moderate debt and profit retention (King et al., 2022). Intergenerational transitions can, however, modify these strategies, with the new generation sometimes being more prone to risks (Miller & Le Breton-Miller, 2021). These transitions also generate conflicts over strategic direction and financial decision-making. As generations pass, family harmony becomes more difficult to maintain. Informal meetings are no longer enough to resolve problems or reduce agency costs (Lambrecht and Uhlaner, 2005). Family size, according to Gersick et al. (1997), strongly impacts management, making informal communication less effective. Symmetric altruism decreases and the alignment of family visions becomes complex, requiring governance mechanisms to build trust and maintain family unity (Gersick et al., 1997) and political decision-making regarding financial decisions to implement.

Some family businesses move from a founder's ownership structure, to a partnership of siblings and then to a consortium of cousins. In this case, the family actors belong to the different circles of the triptych proposed by Davis and Taguiri (1982) affecting the dimensions of interaction and interdependence of the family system. In the context of the first generations of the family business, the family is a source of cohesion; however, it will seem less present in later generations (King et al., 2022). In fact, the complexity of inheritance dynamics compromises the successful transition from one generation to the next (Arteaga & Uman, 2020). The family business becomes a scene of rivalries, jealousies, generational conflicts, and expectations in terms of dividend distribution. As such, this study fits into this perspective by proposing to study the impact of ownership structure on the governance structure and financing decisions of Lebanese family businesses.

2. Literature review

2.1. *Ownership and governance in family businesses*

From a “dismembered” ownership perspective, the organizational structure extends from the owning and managing family to all family shareholders, at the nexus of contracts between active and passive family members in the company. The logical consequence of this dislocation of ownership is the recognition of the conflict between owners and managers. This conflict lies at the level of the notion of reinvestment of profits or their distribution. This explains the behavioral divergence between active and passive shareholders of the family business. Thus, the scenario with three actors, small holders, dominant shareholders and managers, common in reality, but rarely studied (Sacristán-Navarro et al., 2015), appears adapted to the context of a family business. These implications generate a shift from the analysis of property rights theory towards an analysis of the behavioral consequences that the dislocation of property is likely to involve (Aronoff & Ward, 2016).

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A family business could move, over generations, from power dominated by family actors operating in an informal decision-making space to power conferred on non-family actors who tend to interact in a formal space (Nordqvist & Melin, 2010). The percentage of external managers at the head of the company increases over generations (Cabrera-Suárez et al., 2014). And throughout the cousin consortium phase, there is a high probability that the executive will be someone outside the family (Aronoff & Ward, 2016). Le Breton–Miller et al., (2004) note that the parentage may be incompetent considering the existence of a low percentage of potential candidates among the filiation, or an unwillingness of the successor to take charge of the company's management. The introduction of executive managers from outside the family constitutes another manifestation of what can be considered good governance (Kandade et al., 2021). This analysis leads directly to the problem of the independence directors, that is to say the power relations existing between controllers and managers.

Professionalization is established by the introduction of formalism in family-business relations and by a strengthening the "informal" control (James Jr, 1999). For Untoro et al., (2017), the professionalization of management is perceived by "the succession of the executive from a family member to an external professional manager". When there is management outside the family, the supervision exercised over management choices is more effective. The external manager brings ideas and new skills and often makes it possible to overcome succession milestones, which are always delicate periods (Chua et al., 2003). Furthermore, while the productivity of a professional executive exceeds that of family managers, their appointment is typically considered, or even feasible, only after the company has achieved a critical level of development. Family shareholders delegate their decision-making power to a competent manager who does not necessarily have the same interests as them.

At first glance, and in line with agency theory, the interests of an external professional manager are not inherently aligned with those of the family. The introduction of outside executives has consequences, direct or indirect, on both the business and the family. The external manager may, to a certain extent, engage in negligent behavior detrimental to the interests of family shareholders. The study by Gomez-Mejia et al., (2001) suggests that family principal-agent relationships can elevate agency costs, as managers in family businesses often distrust external individuals. Managers may direct the firm toward specific sectors or partners to solidify within the company, leveraging their latitude to prioritize investments that maximize the value of their human capital in assets highly specific to their skills and expertise. This motivation aligns with an entrenchment strategy, providing the manager with greater security and flexibility (Shleifer & Vishny, 1997). Since laying them off will be costly for shareholders, the manager can appropriate a portion of the rents at their expense. From such perspective, the pursued strategy by the manager may have the objective of establishing roots by entailing agency costs, in particular monitoring costs and opportunity costs. This decision involves a voluntarily accepted renunciation, which is often difficult to make or have accepted, as it may challenge longstanding and sometimes effective managerial practices. While these habits, developed by the family or family manager, may have been suitable at one time, they can lose relevance as the company's context evolves, becoming quickly and unexpectedly obsolete.

The agency theory provides a lens for understanding the relationship between ownership and governance. In family firms, the agency problem, characterized by conflicts between owners (principals) and managers (agents), is often mitigated due to the overlapping roles of family members as both owners and managers. Schulze et al., (2001) argue that family ownership reduces traditional agency conflicts, as family members prioritize long-term business sustainability over short-term gains. However, as ownership diversifies across family branches, governance structures must evolve to address emerging agency issues, such as conflicts between active and passive family shareholders. The socioemotional wealth framework offers another perspective on how family ownership impacts governance. Berrone et al., (2012) highlight that family owners prioritize preserving non-financial goals, such as family identity and legacy, which directly influence governance practices. Governance mechanisms are often designed to safeguard socioemotional wealth, ensuring that family values and goals are embedded in decision-making processes. This alignment between ownership and governance fosters a unique approach to strategic planning in family firms, as well as conservative financing modes to preserve the control of the family over the business. As such, the first research hypothesis is stated as the following.

H1 There is a relationship between family ownership structure and family business governance.

2.2. Family business governance and internal financing

A better understanding of the role of the board of directors makes it possible to define it as a management and disciplinary system for managers. The most productive analysis to understand the board of directors as a component of the corporate governance system refers to agency theory where the shareholder/manager relationship remains strongly privileged. Furthermore, the difference between agency and transaction cost theories and entrenchment theory lies in the implicit assumptions about the competence of controllers (Verbeke & Kano, 2012). The growth potential and longevity potential of any business increase significantly when it is managed by professional management. Ownership-decision separation is positively and significantly correlated with the complexity of family businesses, leading to a division between decision-making and control functions (Fama & Jensen, 1983). As a key element of the corporate governance system, this structure ensures that managers strategically address the company's needs for profitability, competitiveness, growth, and continuity.

Agency theory advocates board independence given the potential for problems resulting from opportunistic behavior (Cabrera-Suárez et al., 2014). The entrenchment theory, for its part, emphasizes the relationships between managers and board directors and the means available to the executive to paralyze controlling systems. As a result, the members of the board of directors have the mandate to promote and defend the company interests. The board of directors responsible for representing the interests of shareholders appears to be the preferred mechanism for controlling the decision-making actions of managers. The original conception of governance, of Anglo-Saxon inspiration, favors the study of the central contracts which found the company and focuses more specifically on the agency relationship between the manager and the shareholders: the latter being considered as the only residual creditors; the objective is to secure the financial investments they make (Shleifer and Vishny, 1997).

The board of directors is a disciplinary instrument and not a strategic body supporting management in its choices. The study of Fama and Jensen (1983) attribute two main functions to it: the evaluation and ratification of investment decisions and the mission of controlling the performance of key managers. Strategic literature classifies investment choices as decisions critical to a firm's sustainability (Mahmoud-Jouini & Mignon, 2009). Managerial latitude influences value creation by shaping strategic and financial decisions while serving as an objective of these decisions. The way directors and families govern executives depends on their knowledge and skills. In the context of corporate financing decisions, and following the important studies of Modigliani and Miller (1958, 1963), various studies have sought to determine what were the main determinants of corporate financial decisions. However, few are similar to those of family businesses. Two theories are particularly important for explaining corporate financial decisions: the trade-off theory (Kraus & Litzenberger, 1973); and pecking order theory (Myers & Majluf, 1984). According to trade-off theory, companies seek to achieve an optimal level of debt, which involves balancing the benefits and costs of debt. Following the theory of hierarchical financing, variations in debt do not seek to achieve an optimal debt level, but rather arise from the urgency for external financing needs, because when internal funds are insufficient, the companies prefer to turn to debt.

Even more, family ownership dispersion models are also interesting to explore in the analysis of financial decision-making in family businesses (Madison et al., 2017). In this way, broader and deeper theoretical insights into the financial decision-making process can be obtained. Villalonga and Amit (2020) conclude that the financing decisions of family businesses are clearly influenced by the specific characteristics of these businesses, such as the desire to retain family shareholding, Risk aversion and reluctance to open the company's capital to investors to avoid losing control of the property and its management. Additionally, family businesses adopt a conservative attitude toward growth, preferring not to grow beyond a given size, so that additional financial needs do not force the loss of ownership and its management (Visser & Van Scheers, 2018). This means that family managers work to transmit the business to the next generation in the best possible conditions to eliminate possible risks that can cause turbulence during the management of the descending generation. Gersick et al. (1999) indicate that the business can only remain family-owned if it is limited to self-financing supplemented by moderate debt. As such, external funds are only used when strictly necessary (Sági & Juhász, 2019). As such, the second research hypothesis is stated as the following.

H2 There is a relationship between family business governance and internal financing.

2.3. Board of directors and family shareholding

The family shareholding policy constitutes a critical and often complex issue for family businesses, particularly in the areas of reinvestment and dividend distribution. According to Gersick et al., (1999), balancing the competing interests of reinvestment to ensure the long-term growth of the business and dividend payouts to satisfy shareholder expectations is a persistent challenge. Such policies are essential for fostering alignment among family members, mitigating potential conflicts, and securing the financial health of the business across generations (Lansberg et al., 1997). A comprehensive family shareholding policy typically encompasses elements such as a dividend policy, a buyout mechanism, and a shareholders' agreement. A dividend policy outlines the principles governing profit distribution, striking a balance between reinvestment needs and shareholder returns (Ward et al., 2007). Meanwhile, a buyout syndicate provides a structured mechanism for shareholders who wish to exit the business, which can help prevent disputes and preserve family harmony (Astrachan & Shanker, 2003). Lastly, a shareholders' agreement formalizes the rules and guidelines for ownership, decision-making, and dispute resolution, serving as foundation for governance in family businesses. Addressing these dimensions within the family shareholding policy not only safeguards the financial viability of the business but also enhances transparency and trust among family members. This structured approach is crucial for navigating the unique dynamics of family-owned businesses and ensuring their sustainable growth over time.

2.4. *Family business governance and debt-financing decision-making*

The discrepancies in the empirical results regarding the financing methods of family businesses arise from the fact that previous literature has not taken into account the effect of intergenerational successions in family business financing decisions (King and al., 2022). The family's desire to maintain control of the business over generations, the ultimate foundation of the family business, leads to particularities in its management and, in particular, in its financial policy. From a trade-off theory perspective, family firms can establish optimal debt ratios, which are consistent with trade-off theory assumptions regarding business financing decisions (Ampenberger et al., 2013). Ampenberger et al. (2013) also conclude that family businesses may set lower levels for the target debt ratio, due to family members' perceptions of bankruptcy costs associated with debt. More pronounced, Pindado et al., (2012) conclude that family firms make relatively high adjustments of actual debt compared to the target debt ratio. However, if self-financing is not enough to cover their financing needs, they will prefer to issue debt to increase capital in order to cover the financial deficit. As such, the third research hypothesis is stated as the following.

H3 There is a relationship between family business governance and debt financing

2.5. *Family business governance and equity-financing decision-making*

Another stream of research concerns the appropriation of external equity. Knowing that the decision to open the capital always appears to be an exceptional decision; and when it is taken, it is almost never a question of calling on financial or banking partners, always suspected of wanting to ransom the family business, especially of calling into question the freedom of family managers (King et al., 2022). On the one hand, several studies indicate that family involvement seems to lead to less use of external equity (Poutziouris, 2011). Contrary to the pecking order perspective, King and Peng (2013) find that in industries characterized by cyclicality, capital intensity, and growth, family firms rely on equity financing before equity financing over borrowing to fund their expansion, primarily due to a strong aversion to financial distress. As such, the fourth research hypothesis is stated as the following.

H4 There is a relationship between family business governance and equity financing.

3. Method

3.1. *Data collection process*

In this study, non-probability purposive sampling is employed. Also referred to as subjective, judgmental, or selective sampling, this technique relies on the researcher's judgment to identify and select cases most relevant to the study's objectives. Purposive sampling is particularly effective in providing adequate justification for drawing conclusions from the observed results, as it focuses on individuals or cases that best align with the research criteria. Given the specificity of the subject and the limitations in statistical data available for the predefined population – namely, active family shareholders or potential successors holding positions equivalent to directors or managers in their family businesses – this approach is well-suited for the study. By targeting participants with relevant experience and knowledge, purposive sampling facilitates the examination of research hypotheses using reliable and contextually appropriate data. The process of collecting data through survey distribution involves several essential stages. The survey (20 items) was distributed to a sample of 238 family businesses while making sure that those companies were owned only and managed by families. The distribution period spanned from late September 2024 till mid-November 2024. 117 out of 238 participants fully completed the survey.

3.2. *Descriptive statistics*

The data on participants' positions within the family business reveals the distribution of roles and highlights the structure of leadership and succession. Among the 117 respondents, the majority are successors, comprising 45.3% of the sample. This reflects a strong representation of the next generation, indicating the importance of succession planning and the active role of heirs in family business continuity. Closely following, founders account for 41% of the participants. This substantial proportion highlights the perspectives of those who initially established the family business and likely shaped its foundational values, culture, and operational strategies. A smaller but significant group (13.6%) identifies as co-managers. This category may represent individuals who share leadership responsibilities, either collaboratively with other family members or in a supportive capacity to founders or successors. Their role underscores the presence of joint decision-making and teamwork in family business operations.

Table 1

Position in the family business

Position in the family

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Co-manager	16	13.6	13.6	13.6
	Founder	48	41	41	54.6
	Successor	53	45.3	45.3	100.0
	Total	117	100.0	100.0	

The data on participants' age distribution categorizes them into three distinct groups, providing insight into the generational makeup of the sample. Among the 117 respondents, the largest group falls into the first generation category, accounting for 51.2% of the total. The second

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generation category represents 45.3% of the sample, a close second to the first one. The third generation category is the smallest, comprising just 3.4% of the participants (family businesses).

Table 2
Age

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	First	60	51.2	51.2	51.2
	Second	53	45.3	45.3	96.5
	Third	4	3.4	3.4	100.0
	Total	117	100.0	100.0	

4. Results discussion

The analysis reveals a moderate positive correlation between family ownership and family governance, with a Pearson correlation coefficient of 0.333. This suggests that as family ownership becomes more concentrated, the quality or implementation of decision-making in the family business tends to improve. The relationship is statistically significant, as indicated by a p-value of 0.000, well below the commonly accepted threshold of 0.01. This implies that the observed correlation is highly unlikely to have occurred by chance, lending strong support to the hypothesis that family ownership structure influences governance practices. With a sample size of 117, the findings are significant and provide meaningful insights into the family businesses dynamics. These results support the hypothesis (H1) that there is a relationship between family ownership and governance. This underscores the importance of ownership concentration in sharing federative values that enhance the alignment of organizational objectives and the development of decision-making processes.

Table 3
Family ownership and family business governance correlation

Correlations

		FO	FG
FO	Pearson Correlation	1	.333**
	Sig. (2-tailed)		.000
	N	117	117
FG	Pearson Correlation	.333**	1
	Sig. (2-tailed)	.000	
	N	117	117

**. Correlation is significant at the 0.01 level (2-tailed).

Srivastava and Bhatia (2022) research indicates that family ownership has a positive impact on firm performance up to a certain point, after which it begins to have a negative effect. In fact, in the early stages of family ownership, informal meetings often serve as key forums for financial decision-making. At this stage, conflicts are minimal, as family members and active managers tend to share a common goal: ensuring the financial sustainability and growth of the company. This cohesion fosters a collaborative environment where decisions are made with the long-term interests of the business in mind, reflecting the strong alignment between ownership and management roles. Building on this idea, when ownership becomes fragmented (cousins' consortium) among multiple family branches, family social ties become weak. Hypothetically, the overlap between power and management gradually diminishes as the business transitions to more complex ownership stages. Upon the positive validation of H1, it can be noticed that most of the family businesses are in the first and the second generation, and where informal gatherings are the principal leitmotiv of the organization. Moreover, the family members' attachment to the company can be translated by the will to preserve their professional identity and the socio emotional wealth. As such, agency theory, which forms the basis of agent-principal conflicts of interest, is supplanted by altruistic attitudes rooted in family bonds. The analysis uncovers a positive correlation between family governance and Internal Financing, with a Pearson correlation coefficient of 0.311. This suggests that improvements or the presence of robust family governance mechanisms are moderately associated with an increased reliance on or prioritization of internal financing strategies in family businesses. The relationship is statistically significant, as evidenced by a p-value of 0.000, which is far below the commonly used threshold of 0.05. This significance indicates that the observed correlation is unlikely to be the result of random variation, providing strong support for the hypothesis that governance practices impact internal financing decisions.

Table 4

Family business governance and internal financing correlation

Correlations

		FG	IF
FG	Pearson Correlation	1	.311*
	Sig. (2-tailed)		.000
	N	117	117
IF	Pearson Correlation	.311*	1
	Sig. (2-tailed)	.000	
	N	117	117

Family businesses performance is generally characterized by their preference for long-term strategies over short-term gains, an aversion to debt, and a tendency to reinvest profits. Family managers' reluctance to distribute dividends reflects a desire to preserve self-financing and maintain the company's investment policy without compromise. By retaining profits within the business, family firms can maintain financial independence and avoid the risks associated with external borrowing, such as increased debt obligations or loss of control. This approach is deeply rooted in the desire to safeguard the business against financial distress and to ensure stability across generations. Upon H2 positive validation, internal financing allows family businesses to maintain flexibility and agility in their investment policies. The relationship between family governance (informal and limited to family gathering) and internal financing is further supported by the alignment of family values with financial strategies. In sum, family business decision-making and internal financing are closely interconnected. This strategic focus on self-financing enhances their organizational resilience and strives for maintaining the long-term vision of the family and the business. .

The analysis shows a positive correlation between family governance and debt financing, with a Pearson correlation coefficient of 0.090. This suggests that family members are favorable on decisions related to debt financing in family businesses. The p-value of 0.332 indicates that this correlation is not statistically significant, as it exceeds the commonly accepted threshold of 0.05.

Table 5

Family business governance and debt financing correlation

Correlations

		FG	DF
FG	Pearson Correlation	1	.090
	Sig. (2-tailed)		.332
	N	117	117
DF	Pearson Correlation	.090	1
	Sig. (2-tailed)	.332	
	N	117	117

The desire to maintain control of the business across generations, a fundamental characteristic of family firms, shapes their management practices, particularly their financial policies. From a trade-off theory perspective, family firms tend to establish optimal debt ratios that align with the theory's assumptions about financing decisions. Upon H3 positive validation, family members are favorable on decisions related to debt financing in family businesses. This finding align with that of Pindado et al., (2012) who found that family forms exhibit high levels of adjustment between actual debt ad their target debt rations. In this regard, when self-financing proves insufficient to meet their financial needs, family firms often turn to debt financing as a preferred method to address capital shortfalls and mitigate financial deficits.

The analysis shows a negative correlation between family governance and equity financing, with a Pearson correlation coefficient of -0.317. This indicates that as family governance mechanisms become stronger, the reliance on equity financing tends to decrease. The p-value of 0.014 is statistically significant, as it is below the commonly accepted threshold of 0.05.

Table 6

Family business governance and equity financing correlation

Correlations

		FG	EF
FG	Pearson Correlation	1	.-317*
	Sig. (2-tailed)		.014
	N	117	117

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EF	Pearson Correlation	.-317*	1
	Sig. (2-tailed)	.014	
	N	117	117

The relationship between family business governance and equity financing is characterized by a negative correlation, indicating that as family governance strengthen, the reliance on equity financing decreases. This finding aligns with the inherent priorities of family businesses, where maintaining control and autonomy is often paramount. Family dynamics plays a pivotal role in shaping financial strategies. These goals often include preserving ownership within the family, safeguarding the business's legacy, and minimizing the influence of external stakeholders. As a result, equity financing, which typically involves issuing shares to external investors, is less appealing to family firms.

One key driver of this aversion to equity financing is the potential dilution of family control. Solid governance frameworks emphasize decision-making that protects the family's ability to steer the business according to its values and long-term vision. Equity financing introduces the risk of external influence, which could conflict with the family's objectives or decision-making autonomy. Therefore, family businesses often prioritize internal financing or debt over equity to fund their operations and growth. Upon H4 negative validation, the negative correlation also highlights the family role in encouraging financial strategies that are consistent with the family's collective vision. From a theoretical perspective, the trade-off theory provides additional context for understanding this relationship. Family businesses may set lower target equity levels as part of their optimal capital structure, balancing the costs and benefits of various financing options. While equity financing can offer significant capital, the perceived costs - such as diluted control - outweigh the benefits for many family firms. In sum, the negative correlation between family governance and equity financing reflects the fundamental priorities of family businesses. This relationship underscores the importance of family in shaping financial strategies that are uniquely tailored to the needs and values of family firms.

5. Conclusion

5.1. *Main findings*

Family ownership positively impacts governance in the early stages, with informal meetings fostering collaborative financial decision-making. However, as ownership fragments across generations, conflicts may emerge, weakening the alignment between ownership and management. Strong family interrelationships support internal financing while showing a preference for reinvesting profits to maintain financial independence and avoid external obligations. In light of family governance and debt financing, family businesses exhibit an optimal use of debt financing, aligning with trade-off theory. Debt is preferred when self-financing is insufficient, balancing the need for capital while retaining family control. A negative correlation exists between governance and equity financing. Family firms prioritize control and autonomy, often avoiding equity financing to prevent external influence and dilution of ownership.

5.2. *Theoretical implications*

The findings suggest that altruistic family bonds can supplant traditional agent-principal conflicts, offering a nuanced perspective on agency theory in family firms. The research study validates trade-off theory by demonstrating how family businesses optimize debt levels and avoid equity financing to balance control and financial sustainability. In addition to that, the research underscores the importance of socioemotional wealth in shaping financial decisions, particularly in prioritizing long-term strategies over short-term gains.

5.3. *Practical implications*

The study offers actionable insights for family business practitioners. Strengthening governance structures, even informal ones, can align family values with business strategies and reduce conflicts across generations. Intergenerational conflicts can lead to shortages in internal liquidity, particularly when passive members demand higher dividend distributions, thereby compelling the family business to seek external financing through debt or equity to sustain its operations. In addition to that, family businesses should leverage internal financing as a primary strategy while maintaining flexibility with debt financing for capital needs. Therefore, family businesses aiming to safeguard their legacy should consider the risks of equity financing and explore alternative funding methods that maintain family ownership.

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APPENDIX

Appendix A: Survey

Position in the family:	☐ Founder	☐ Successor	☐ Co-manager					
Age of the Family business (in terms of generation) :	☐ First ☐ Second	☐ Third ☐ Fourth	☐ More than 4					
				Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1. Ownership in our family business is concentrated within a few family members.				○	○	○	○	○
2. Non-family members hold significant ownership in our business.				○	○	○	○	○
3. Decision-making power is directly proportional to the ownership stake in our family business.				○	○	○	○	○
4. Ownership structure affects the long-term financial decisions of the business.				○	○	○	○	○
5. The ownership structure in our family business fosters trust and alignment among family members.				○	○	○	○	○
6. Ownership structure facilitates smooth succession planning for				○	○	○	○	○

future generations.					
7. Our family business has formal governance, such as a board of directors.	○	○	○	○	○
8. Governance structures ensure a balance between reinvestment and dividend distribution	○	○	○	○	○
9. Governance policies are effective in maintaining transparency in financial decision-making.	○	○	○	○	○
10. Internal financing (e.g., retained earnings) is prioritized over external financing options.	○	○	○	○	○
11. The decision to reinvest profits is influenced by family members' preferences.	○	○	○	○	○
12. Financial decisions align with long-term goals rather than short-term returns.	○	○	○	○	○
13. Internal financing decisions are driven by the need to preserve family ownership and control over the business.	○	○	○	○	○
14. Debt financing is used to avoid diluting family ownership.	○	○	○	○	○
15. The family business carefully evaluates the risks associated with debt financing before securing loans.	○	○	○	○	○
16. Debt financing is preferred over equity financing when external funding is necessary.	○	○	○	○	○
17. Equity financing is considered only as a last resort to maintain family control.	○	○	○	○	○
18. Equity financing is considered as a depredation for the family emotional wealth.	○	○	○	○	○
19. Equity financing decisions prioritize aligning with the family's long-term vision.	○	○	○	○	○
20. External equity investors are seen as potential threats to the family's influence over the business.	○	○	○	○	○