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EXAMINING THE EFFECTS OF FAMILINESS ON THE CAPITAL STRUCTURE: THE CASE OF FRENCH FAMILY FIRM

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Abstract: The aim of the article is to analyze the impact of the concept of familiness on the financing of French firms. In this respect, three factors are considered. The first one is about the presence of a family CEOs.The second deal with the presence of a family member and the third comes with transgenerational succession. Such an effect is highlighted by using a sample of 100 unlisted French family firms over the period 2003–2012. The results show that the involvement of the concept of "familiness" in family firms leads to a different financial structure from other firms. The ownership structure adopted by family CEOs and transgenerational succession improve debt. On the other hand, the presence of a family member on the board of directors does give significant results; the negative coefficients demonstrate reluctance regarding debt. A possible explanation for the paradox is that the capital structure of French family firms is specific.

Keywords: Family firm; debt; financial structure; durability; familiness; transgenerational succession.

1. Introduction

According to a survey carried out in September 2013 by Ernest and Young office in collaboration with the Family Business Network, family businesses are more resistant to crisis. Indeed, 32% of them registered a rise of more than 5% in their turnover in 2013. These positive results appeal to the attention to revising the ideas received from companies that have been depicted as paternalistic, rigid, backward and fusty (Bloch, Kachaner, and Mignon 2012). These high performances are not random but are a set of virtuous behaviors that start with the strategy of durability which is the first factor of success according to (Bloch, Kachaner, & Mignon, 2012). Indeed, family businesses' reason regarding generation rather than duration. Their development strategies, human resources management, and financing policy are

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long-term. This long-term vision also allows them to better prepare for a change. When they innovate, they need many years to carry out their practical projects, and this is known as "patient capital" (Dreux, 1990; Sirmon and Hitt 2003). The family business obviously resists better because it runs its financial resources frugally (Bloch et al., 2014; Bloch, Kachaner, and Mignon 2012; Bauweraerts and Colot 2014). Thus, the family business is characterized by risk aversion and the rejection of diluting its share capital with the advent of other external investors temporarily and transitorily (Zahra, 2005; González et al., 2013). Its objective is to maintain a stable family shareholding and to finance its projects by reinvesting undistributed profits or by using bank loans (Gallo & Vilaseca 1996; Mahérault 2000; Romano, Tanewski, & Smyrnios 2001; Ampenberger et al., 2013). This financial independence offers the family business flexibility of actions with which they can then act more quickly. The involvement of family members, sometimes external administrators or employees, makes the decision-making processes more efficient (Sciascia and Mazzola 2008). Hence, the characteristics of family firms already mentioned must influence their financial behavior and, thus, we can distinguish their financial structure from that of non-family firms.

The family business is a particular organizational form that encourages the analysis of its financial structure due to the existence of its own characteristics which are not necessarily in accordance with the paradigms in force within the managerial companies.

Indeed, to understand the conceptual framework of family entities, we need to introduce the notions of family control and family durability (Casson, 1999). This family control must be interpreted regarding the degree of involvement of the family in the company's shareholding and its management. This involvement is called "familiness". According to Habbershon and Williams (1999), this concept is defined as "the unique resources that a company possesses as a result of the systems of interactions between the family, the family members, and activity. "The family business is a system consisting of: (1) a family sub-system made up of history, traditions and family life cycle, (2) an enterprise sub-system including strategies and structures to create value, and (3) a sub-system composed of individuals, the family members, who characterized by their interests, aptitudes and degree of participation in the control process and management." The interaction of these three sub-systems "family-enterprise-individuals" would thus be at the heart of the construction of a family specificity allowing us to develop idiosyncratic capacities and sources of differentiation. The company then imbued with family values, would ensure the durability of its activities and develop a risk aversion. These components are more likely to limit the company's commitment to riskier projects even if these projects

prove profitable and incur a cost to non-family shareholders and this will lead to a conflict of interest (DeAngelo and DeAngelo 2000).

This article presents a couple of contributions to the literature dealing with family companies. First, according to what we know, such a paper is the first of its kind showing the impact of control-durability factors including the concept of familiness on the family business financial structure and, thus, justifying this specific financial structure. Second, this paper uses a sample of unlisted family businesses which is quite uncommon. Indeed, this type of company is confronted with a certain number of financial constraints. Therefore, these companies need to be helped in the financing process through a specific model adapted to each context in order to guarantee their durability.

This article is organized as follows. Section 2 presents a literature review of the concept of familiness and the financial structure of the family business. Also, it focuses on the effect of the concept of familiness on the financial structure of the family businesses. Section 3 presents the sample, and the variables studied. Section 4 is devoted to the methodology employed. Section 5 shows the results and discussions. The article is concluded in section 6.

2. Literature review

2.1 The concept of familiness

Family businesses can be deemed as a particular combination of two sets of rules and values between family and business, such as their sharing of certain characteristics that make them unique in terms of ownership, governance, and succession. (Chrisman, Chua, & Sharma, 2005; Chua, Chrisman, & Sharma, 1999). Chua, Chrisman, and Sharma (1999) define the concept of familiness as the unique pole of means and skills that provide positive effects on the family business. Pearson, Carr, & Shaw (2008) identify the unique means and abilities that form the concept of familiness by using the social capital theory. This concept is often defined as the set of real and potential means that an individual (or a social entity) can access through his or her network of relationships (Nahapiet & Ghoshal, 1998), quoted by Pearson et al. (2008). Accordingly, these authors suggest that the unique means of the concept of familiness consists of the three dimensions of social capital: structural, cognitive and relational.

The structural dimension involves the social links between the family members who form an internal network. The cognitive dimension is made by the distinct vision of the family and business which is generally rooted in the family history. Both dimensions (structural and cognitive) influence the relational dimension which is based on trust, norms, duties, and identity (Klein, Astrachan, & Smyrnios, 2005; Rutherford, Kuratko, & Holt, 2008). This involvement can be defined according to three dimensions: power, experience, and culture. Power refers to the dominance

exerted by the financing of the company (e.g., shares held by the family), as well as the principals and the business control through the family's involvement in its management and/or governance. The experience refers to the accrued experience that the family brings to the company. Finally, culture denotes the values and commitment which are found in the recovery of the family and the business values. These three dimensions represent an "index" of the family influence that distinguishes family businesses from family participation levels and their effects on performance as well as other business behaviors (Holt, Rutherford, & Kuratko, 2010; Rutherford et al., 2008). In the context of the family business history, such as experience, the data collected include information about the roles of the different generations in the management of the company and the extent to which the participation of the family members in the management of the company is active. Ultimately, the data collected about the history of the family business include information about the extent to which the values and identity of the family can define those of the company.

Bhaumik & Dimova (2015a) have proposed a measure of the concept of "familiness." In other words, they have ignored the cultural factors influencing the formal and informal relationships with the companies and have focused on the equilibrium relationships influencing the strategies and performance. The information concerning the following attributes could be significantly integrated into the concept of "familiness" in the empirical research.

The relevance of direct ownership of shares by the family and the indirect one through proxy votes and other control mechanisms.

The nature of family control: for example, the sole founder-entrepreneur which means the control shared by a group of founders-entrepreneurs and the control shared by two generations which are shared by the successor brothers and sisters of the founder-entrepreneur.

The presence of the family members of the board of directors or, in the case of companies held by several shareholders, in the strategic decision-making process taken by the family members.

The involvement of the family members in the management roles.

The commitment of the family members who are not directly involved in the business.

Thus, according to the data available about our sample, we take, as a measure of the familiness concept, these three variables: the family-owner director, the family members in the BD and, lastly, the transgenerational succession.

2.2 The concept of familiness and the financial structure

We base our study on the concept of "familiness" as the main source of the distinction between family and non-family enterprises. It is increasingly crucial to examine the impact of the concept of familiness on an important aspect of the strategy; namely, the decisions about financing. The decision regarding the management aspect of a business to finance its investment and business activities has significant implications for the durability of the family business. Thus, these companies are more conservative than non-family businesses (Basly, 2007), in particular, due to the scarcity of information on moral hazard and adverse selection. These problems stem from the concept of "familiness."They may find it harder to access equity and long-term credit than non-family businesses, and this shows how the Pecking Order theory applies to them. Family business options for external financing may also be reduced for family businesses because of the same concept of "familiness." Also, access to external capital may be difficult or costly. Indeed, to extend the argument of Myers (1984) and Myers & Majluf (1984) according to the Trade-Off Theory, it is important to assert that external investors consider that the issuing of shares by family businesses, such as the announcement of an expropriation, will lead to the reduction of the stock prices and the increase in the equity cost. However, the evidence of the failures of corporate governance in family-owned enterprises remains nuanced (Bhaumik & Gregoriou, 2010), and it is always possible to manage the quality of governance in these firms through the use of debt. Bhaumik & Dimova (2015b) find that undistributed profits are higher for family businesses compared to their non-family counterparts. Corporate governance mechanisms, such as the board of directors members and independent auditors (external auditors), can reduce these undistributed profits of the family-owned businesses significantly and align them with those of their non-family counterparts. Poutziouris (2006) argues that family businesses may be open to raising equity by floating a limited proportion of the total shares and by issuing preferred shares. In this case, the family shareholders' voting rights will be doubled and, thus, they can retain control. The aspects of the familiness concept may limit the financing of a family business, and they may be beneficial in other cases. As a matter of fact, according to Lyagoubi (2006), creditors are less likely to risk moral hazard in family businesses than in managerial firms because this facilitates access to debt for the first. Additionally, Chua et al. (2011) have found that family participation can also facilitate access to debt by counting on the family's social capital. Similarly, Koropp, Grichnik, & Kellermanns (2013a) argue that family involvement is an important aspect of the "concept of familiness" and that it has a substantial moderating influence on the financial attitudes of the family business.

From ownership, family firms are a special case of the shareholders' control. Anderson, Mansi, & Reeb (2003) stress that, besides the maximization of wealth,

other factors emerge in the family business (such as durability and concern for reputation), and that can affect the relationship of the shareholder-creditor agency. In particular, the long-term nature of a family business has a positive impact on the creditors (Breton-Miller & Miller 2006).

As a result, Céspedes, González, & Molina (2010) show that the more the family shareholders control the firm, the more the latter is associated with high levels of debt. However, there are other explanations for these high levels of debt in family-owned businesses; as such, the aversion to the loss of control. Thus, family-owned enterprises hold control and act as a majority (direct ownership) or controlling shareholders (indirect ownership); hence, the use of debt could help families to control their businesses.

On the other hand, the study of Ampenberger et al. (2013) dealing with 660 listed German family firms shows that the existence of a family CEOs director has a negative impact on the level of debt due to the low agency cost within these companies. Moreover, they assume that the presence of the founder as a director reduces the agency's cost even more effectively than when there is just one the presence of a family member on the board of directors. As long as wealth and the cash flow retention spirit can be extracted, higher debt levels are an effective mechanism to retain control (direct or indirect) and to reduce the agency problems related to management at the same time (Bencheikh & Chibani, 2017; González et al., 2013). Let us now develop the following hypothesis:

H1: The relation between the existence of family CEOs and the firm's debt level is positive.

The literature increasingly recognizes that the family is not necessarily a united entity. In this context, Villalonga & Amit (2006) classify the families that can be involved in a given business in three different ways: management, ownership, and control. In perspective management, according to Fama & Jensen (1983), when the family is involved in management, the decision process tends to lose its effectiveness due to risk aversion.

Thus, Ampenberger et al. (2013) do not find a significant relationship between the family members' participation in the turnover and the debt ratio. However, Bertrand et al. (2008) argue that the family goals will not always align with the long-term well-being of all the investors especially if the family is too risk averse. Accordingly, a high level of risk aversion could lead to lower levels of debt for these firms. To justify this idea, Friend & Lang (1988) and Portal & Basso (2015) find that the debt ratio and participation management are negatively related.

In this, the family business run by family members who are members of the board of directors could have fewer debts compared to similar firms but non-family ones (González et al., 2013). Hence, our hypothesis is as follows:
H2: The relation between the presence of a family member on the board of directors and the debt level is negative.

According to Colot & Croquet (2015a), the family firms that have been transmitted tend to reduce their investments and debt levels from one to two years before the actual transmission to transmit a relatively healthy business from the point of view of the financing structure. Three years after the transmission, the buyer makes new investments which result in an increase in external funds. However, an exploratory study carried out in 20 cases of transmission of French and Quebec companies, Senbel & St-Cyr (2007) shows that to finance their transmission, the companies face the same difficulties as when they finance any other project. Nevertheless, the study of Miller & Breton-Miller (2006) indicates that the growing demand for dividends by the next-generation family members will largely reduce the problem of free cash flow. Most studies as Kaye & Hamilton (2004), Schulze, Lubatkin, & Dino (2003) indicate that the descendants generally take less risk and have a greater fear of losing control than the founder. On the other hand, Blanco-Mazagatos, De Quevedo-Puente, & Castrillo (2007) find a positive effect of transmission on the level of debt. This can be explained by the fact that the use of debt serves as a governance mechanism in the reduction of opportunistic management. Also, in the context of family transmissions, the repayment facilities are sometimes agreed upon by the transferor where new arrangements, such as LBO, will make it easier to set up the new generation of the company and, thus, it is a key element in the success of transmission (Senbel & St-Cyr, 2007). Subsequently, the hypothesis (H3) is as follows:
H3: The relation between the existence of a transgenerational succession and the debt level is positive.

3. Data

3.1 Sample Construction

The sample consists of 100 unlisted French family businesses. The data were extracted from the "Diane" financial database and the websites (http://french-leader.com/) over the period 2003-2012.
Various definitions of family businesses exist. Most of them retain the criterion of ownership.
In this respect, Allouche & Amann (2008) see that a family business is an enterprise in which one or more identifiable families collectively own a share of the capital

sufficiently large to confer on the holding family unit the status of the principal shareholder.

3.2 Variable Definitions

The aim of this research is to study capital structure through factors related to the concept of familiness. The independent variables stemming from the collected information are the debt ratio (TDebt, LTDebt, and STDebt), (Rajan& Zingales, 1995; Titman & Wessels, 1988). The dependent variables are related to the measurement of the concept of familiness. Table1 shows the following variables: founder family CEO is a Binary variable equal to 1 if the founder family serves as CEO in the firm, direct family board members is a binary variable equal to 1 if one of the members of the board of directors is a family member, transgenerational succession is a binary variable equal to 1 if one of the firms is an intergenerational transmission. The control variables are Tangible, Growth, size, CFGO, ROA and volatility.

Table 1. Variable Definitions

Variables	**Definitions**
Dependent Variables	
Total debt (*TDebt*), of short (*STDebt*) and long-term (*LTDebt*)	The total debt ratios, of short and long-term to the total assets
Familiness concept	
Founder Family CEO (*FF* CEO)	Binary variable equal to 1 if the founder family serves as CEO in the firm.
Direct family board members (DFBM)	Binary variable equal to 1 if one of the members of the Board of Directors is a family
Transgenerational succession (*TS*)	Binary variable equal to 1 if one of the firms is a transgenerational succession
Company characteristics	
Tangible	Fixed assets to total assets
Growth	Natural logarithm of the rate of growth in assets
Size	Natural logarithm of the total assets
ROA	Results before interest and tax to total assets
CFGO	Discrete variable that captures the interaction between growth opportunities and cash flow
Volatility	Profitabilityvolatility

Source: Prepared by the Author

3.3 Summary Statistics and Univariate Analysis

Table 3 presents the descriptive statistics. The average debt of French family businesses is 0.47. Moreover, this average is broken down into long-term debt and short-term debt with averages of 0.272 and 0.181, respectively. Thus, French family businesses use far more long-term financing to finance their investments.

The average growth opportunity ratio is -0.037 which means that the companies in the sample do not have the opportunity to grow. The standard deviation, which is equal to 0.312, shows the disparity of the values around this mean. The average size is 15,796 with a standard deviation of 2,983 which means that this average has a significant deviation in the elements of the sample. The average profitability is 0.047 and is a good approximation since the standard deviation is only 0.176.

Table 2. Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
TDebt	1000	0.453	0.271	0	0.999
LTDebt	1000	0.272	0.162	0	0.599
STDebt	1000	0.181	0.108	0	0.399
ROA	1000	0.047	0.176	-0.930	0.953
Size	1000	15.796	2.983	6.814	20.461
Tang	1000	0.432	0.280	0	1.014
Cfgo	1000	2.291	1.741	0	4
Vol	1000	1.067	2.998	0	39.231
Growth	1000	-0.037	0.312	-0.999	5.048

Source: Prepared by the Author

The descriptive statistics of the qualitative variables are given in Table (4). The founder family CEO accounts for more than 40% of the sample. The frequency of the presence of a family member on the board of directors is 73%. The family businesses that make a transgenerational succession are in the order of 43.9%.

Table 3. Summary Statistics

The variables	**The frequencies**	**The values**	
Founder Family CEO(FF CEO)	40	0	1
Transgenerational succession	43,9	0	1
Direct family board members	73	0	1

Source: Prepared by the Author

The correlation matrices given in Table (4) allow us to detect the links between the explanatory variables which are taken in pairs. With regard to a set of Pearson coefficients, their values are between _1 and 1. The absolute values of these coefficients should be lower than 0.7 to avoid correlation problems (Peter, 1998). Furthermore, the dependent variables do not present any correlation problem.

Table 4. Correlation Matrix

	ROA	Size	Tang	CFGO	Vol	Growth	FF CEO	TS	DFMB
ROA	1.0000								
Size	0.0409	1.0000							
Tang	0.0026	-0.1990*	1.0000						
CFGO	0.0134	-0.0930*	0.2373*	1.0000					
Vol	-0.0946*	-0.0821*	0.0011	-0.0306	1.0000				
Growth	-0.1225*	-0.0449	-0.0706*	-0.0057	-0.0226	1.0000			
FF CEO	-0.0221	-0.0636*	0.0585*	0.0992*	-0.0292	-0.0345	1.0000		
TS	0.1328*	-0.1269*	-0.0202	-0.3748*	-0.0000	-0.0153	-0.0683*	1.0000	
DFMB	0.0631*	-0.0251	-0.1327*	-0.0536*	-0.0836*	-0.0574*	0.2207*	0.3564*	1.0000

Founder Family CEO takes the value of 1 if the founder family serves as CEO in the firm, Direct family board members is a Binary variable equal to 1 if one of the members of the Board of Directors is a family, transgenerational succession is Binary variable equal to 1 if one of the firms is a transgenerational succession, fixed assets = fixed assets/total asset, growth = log ((total asset$_s$-total asse$_{t-1}$)/total asset$_s$), size = log (total asset), ROA = Net income/total assets, volatility=$EVol_{i,t} = \left|\frac{(ROA_{i,t}-ROA_{i,t-1})}{ROA_{i,t-1}} - \frac{1}{T}\sum_{t=1}^{T}\frac{(ROA_{i,t}-ROA_{i,t-1})}{ROA_{i,t-1}}\right|$

*** p<0.01, ** p<0.05, * p<0.1*

Source: Prepared by the Author

4. Methodology

The aim of this research is to determine the effect of the familiness factors on the debt of French family firms.

The adopted methodology consists of performing a multiple linear regression on the data of the sample group to test the impact of the concept of "familiness" on debt. By incorporating the variables of the "familiness" concept, the model to be estimated is as follows:

$$\mathbf{Debt_{i,t} = \alpha + \beta_1 ROA_{it} + \beta_2 Size + \beta_3 Tang_{it} + \beta_4 Growdh + \beta_5 Vol_{it} + (1 - \delta) Debt_{i,t-1} + \beta_6 CFGO_{it} + \beta_7 FF\ CEO + \beta_8 DFBM + \beta_9 TS + \vartheta_i + \vartheta_t + \omega_{it}}$$

Where (i) denotes the French Family firms and (t) signifies the study period. $\mathbf{Debt_{i,}}$ is one of the retained values of the debt ratio, which are the total debt ratio (DebtT), the long-term debt ratio LTDebt) and the short-term debt ratio (STDebt), $\boldsymbol{\alpha}$ is the constant vector, ROA: Profitability; Size: the company size; Tang: the tangible asset; Growth: the growth rate; Vol: the profit volatility; CFGO: the interaction variable between growth and the cash flow; Founder Family CEO (FF CEO): the variable of the existence of a family-owner director; Direct family board members (DFBM): the variable of the presence of a family member on the board of directors; Transgenerational succession (TS): the variable of the transgenerational succession. The effect of time is taken into account by the introduction of the annual time indicators (ϑ_t) which integrate the specific effect of (2003-2012). The fixed individual effect for family firms is represented by the term (ϑ_i). Finally, the error term, which is independent and identically distributed (i.i.d), is indicated by the term (ω_{it}). By encountering the endogeneity problems at the level of the estimation equation linked to a causality of the independent variables towards the endogenous variable (indebtedness), the classical econometric methods, such as (OLS, fixed effect and, quasi-generalized least squares do not allow us to reach the relevant estimates. Thus, to solve this problem, we will use the GMM-SYS method (Arellano and Bover, 1995). Indeed, such a method allows us to solve the problems of simultaneity bias, reverse causality (especially between debt and durability factors) and the possible omitted variables. In addition, it controls the specific effects, individual and temporal.

5. Results

The results obtained in Table (5) show that the concept variables of familiness are significant and robust. Since the lagged variables in level and differences TDebt, LTDebt and STDebt are valid, which are used as instruments, the second-order autocorrelation test (Arellano and Bover, 1995) does not allow to reject the hypothesis of the absence of the second-order autocorrelation (P-value AR(2)= between 0.897 and 0.892).

This result is consistent with the developed hypotheses (H1, H2, and H3) which argue that the impact of the family on the financial structure implies that the financial structure of the French Family firms sample is specific. Indeed, the objective of the family business is sustainability with an aversion to risk which gives it its character. Thus, the Family founder CEOs have a positive impact on total debt and short-term debt (Table 4); hence, the first assumption is confirmed. The family CEOs director is particularly risk averse (Bencheikh & Chibani, 2017; Koropp et al., 2014; Koropp, Grichnik, & Kellermanns, 2013b) but he uses debt to protect his company from the dilution of control and to minimize the agency costs between the family-controlled shareholders and the minority shareholders. Finally, the positive relationship

between the family CEOs and the creditors is characterized by the trust (Miller et al., 2006). In a similar approach Bencheikh & Chibani (2017), Koropp et al. (2014), Koropp, Grichnik, & Kellermanns (2013b) find a significant positive result between debt and the family CEOs, but this result is not consistent with the result of Ampenberger et al. (2013) who find a negative relationship.

As for hypothesis 2, the coefficient of the direct family board members is a negative and significant sign. This is due to the fact that when management is directly supervised by the family members of the board of directors, it is less necessary to use debt to avoid the control dilutions of the family business and the distress cost. This result is in line with that of Ampenberger et al. (2013), González et al. (2013).

The transgenerational succession is, positively and significantly, linked to total and long-term debt. This result is in accordance with the third hypothesis. This result is consistent with that of Blanco-Mazagatos et al. (2007) who find a positive effect of succession on the use of debt as leverage of governance in reducing opportunistic management. Similarly, this result is also close to that of Molly, Laveren, & Jorissen (2012) who suggest that the leverage decreases from the second and the third generation and not from the first generation. Our sample includes 43.9% who passed on to the first generation and 40% who passed on to the descendant's founder family. So, the success of the succession transmission gives the creditors a good reputation. The explanation of this result is shared with Miller et al. (2006) who state that family businesses have higher incentives to meet current and future obligations because the family name is at stake. In this respect, family firms are more likely to build, in long-term, strong relationships with their banks and they, consequently, receive more reliable debtors status. Similarly, Li, Shi, & Wu (2015) find a positive result between transgenerational succession and debt.

Nevertheless, this result does not coincide with the work of Colot & Croquet (2015b) and with the studies of Kaye & Hamilton (2004), Schulze et al. (2003) which indicate that the descendants generally take fewer risks and have a greater fear of losing control than the founders.

Concerning the traditional determinants, first, the profitability of the company has a negative and relevant impact on the leverage decisions. The coefficient of the profitability variable is very stable in the various estimates which proves that a higher level of profitability is associated with a lower debt ratio. The idea that the most profitable firms are more reliant on internal resources in terms of external financing is quite consistent with the theoretical predictions of the Pecking Order theory (Ltaief & Henchiri, 2016a). The growth opportunities give significantly negative results for long-term debt (Table 5). This result is invalidated by the predictions of Bessler, Drobetz, & Kazemieh (2011) who see that the companies with strong growth opportunities draw their full self-financing capacity and are oriented towards debt to

meet their financing needs. Thus, this result supports Myers (1977) the underinvestment hypothesis in which the growth opportunities and debt levels are negatively correlated. Family businesses give up growth opportunities when the debt levels are high. Thus, due to a certain priority of non-financial objectives such as risk aversion and sustainability, family firms prefer to give up growth by minimizing the leverage effect (González et al., 2013; López-Gracia & Sánchez-Andújar, 2007). Also, size is positively related to the total and long-term debt ratios (Table 5). This relationship has been confirmed in the context of information asymmetry by Fama & French (2002), Rajan & Zingales (1995) who think that size can reduce the problem of information asymmetry because these firms are committed to providing more information to the creditors. Similarly, from a perspective related to bankruptcy risk, large firms are the best candidates. In this context, Rajan &Zingales (1995) and Titman & Wessels (1988) state that they are the most likely to face probable bankruptcy. These results are also in accordance with the predictions of the agency theory which states that large firms are less exposed to the problems of underinvestment between the shareholders and the creditors (Miller, 1977). Nonetheless, size does not have a significant effect in the case of short-term debt.

According to the trade-off theory, the role of the lagged debt variable is traditionally considered as the convergence rate towards the debt ratio. Generally speaking, the adjustment costs remain high for family firms although this regression tends to decrease slightly (de 0.7 to 0.681). Nevertheless, the positive relationship between the firm's debt ratio and its delay shows that the family firms slowly converge toward their target ratios. This result is consistent with the basic assumption of the trade-off theory.

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Table 5. Impact of the familiness concept on family firms' capital structure

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
VARIABLES	*TDebt*	*LTDebt*	*STDebt*	*TDebt*	*LTDebt*	*STDebt*	*TDebt*	*LTDebt*	*STDebt*	*TDebt*	*LTDebt*	*STDebt*
The lagged debt ratio												
L.TDebt	0.710***			0.686***			0.713***			0.679***		
	(0.0240)			(0.0238)			(0.0233)			(0.0277)		
L.LTDebt		0.679***			0.673***			0.680***			0.656***	
		(0.0475)			(0.0469)			(0.0470)			(0.0480)	
L.STDebt			0.679***			0.663***			0.690***			0.686***
			(0.0475)			(0.0469)			(0.0470)			(0.0480)
Firm characteristics												
Tang	-0.114***	-0.0469	-0.0313	-0.108***	-0.0511*	-0.0340*	-0.107***	-0.0467	-0.0311	-0.0807**	-0.0456	-0.0304
	(0.0325)	(0.0310)	(0.0207)	(0.0323)	(0.0310)	(0.0207)	(0.0327)	(0.0311)	(0.0207)	(0.0341)	(0.0310)	(0.0207)
Size	0.0117***	0.00756*	0.00504*	0.0109***	0.00793*	0.00528*	0.0117***	0.00758*	0.00505*	0.00351	0.00445	0.00296
	(0.00267)	(0.00448)	(0.00298)	(0.00261)	(0.00427)	(0.00284)	(0.00215)	(0.00428)	(0.00285)	(0.00306)	(0.00494)	(0.00329)
ROA	-0.0276	-0.0357	-0.0238	-0.0292	-0.0338	-0.0226	-0.0313	-0.0361	-0.0240	-0.0564***	-0.0349**	-0.0232**
	(0.0217)	(0.0242)	(0.0161)	(0.0221)	(0.0241)	(0.0161)	(0.0221)	(0.0242)	(0.0161)	(0.0209)	(0.0239)	(0.0160)
Vol	0.000904**	0.000345	0.000230	0.000496	0.000410	0.000273	0.000722	0.000305	0.000203	1.45e-05	0.000160	0.000106
	(0.000440)	(0.000882)	(0.000588)	(0.000481)	(0.000864)	(0.000576)	(0.000453)	(0.000880)	(0.000587)	(0.000444)	(0.000875)	(0.000584)
Growth	-0.0357***	-0.0344***	-0.0230***	-0.0375***	-0.0344***	-0.0230***	-0.0360***	-0.0345***	-0.0230***	-0.0470***	-0.0346***	-0.0231***
	(0.00831)	(0.00895)	(0.00597)	(0.00970)	(0.00893)	(0.00595)	(0.00858)	(0.00895)	(0.00597)	(0.0101)	(0.00885)	(0.00590)
CFGO	-0.0221***	-0.0195*	-0.0130*	-0.00573	-0.00637	-0.00425	-0.0208***	-0.0192	-0.0128	0.0256	0.0151	0.0100
	(0.00467)	(0.0117)	(0.00783)	(0.00728)	(0.0140)	(0.00935)	(0.00471)	(0.0118)	(0.00786)	(0.0203)	(0.0170)	(0.0113)
Concepts of familiness												
FF CEO	-0.0149	0.00210	0.00140							0.291*	0.0911	0.0607
	(0.0293)	(0.0437)	(0.0292)							(0.154)	(0.0734)	(0.0489)

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TS				0.0761	0.117*	0.0782*				0.312**	0.274***	0.183***
				(0.0787)	(0.0695)	(0.0463)				(0.124)	(0.0991)	(0.0660)
DFBM							-0.0372	-0.00644	-0.00430	-0.212**	-0.145**	-0.0968**
							(0.0239)	(0.0325)	(0.0216)	(0.100)	(0.0685)	(0.0457)
Constant	0.0500	0.0362	0.0241	-0.00580	-0.0533	-0.0355	0.0709*	0.0346	0.0231	-0.0326	-0.0380	-0.0254
	(0.0411)	(0.0796)	(0.0531)	(0.0565)	(0.0935)	(0.0623)	(0.0387)	(0.0833)	(0.0556)	(0.0915)	(0.0967)	(0.0644)
Observations	900	900	900	900	900	900	900	900	900	900	900	900
Number of family firms	100	100	100	100	100	100	100	100	100	100	100	100
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sargan	44.386	42.386	43.021	44.048	43.354	44.386	43.625	44.386	45.235	45.587	45.021	44.987
p-value sargan	0.3714	0.27	0.2514	0.3849	0.3368	0.3714	0.3604	0.354	0.3874	0.250	0.3987	0.3254
Ar1	-4.759	-4.009	-4.524	-4.874	-4.254	-4.759	-4.778	-4.825	-4.542	-4.639	-4.875	-4.021
P-value AR(1)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Ar2	-0.1351	-0.1001	-0.187	-0.153	-0.136	-0.1351	-0.129	-0.1351	-0.1874	-0.206	-0.1875	-0.1987
P-value AR(2)	0.8925	0.8005	0.875	0.878	0.882	0.858	0.897	0.887	0.8925	0.836	0.8925	0.8925
Test de Wald(v_i)	22.94	22.94	22.94	23.90	23.90	23.90	23.25	22.58	22.25	21.33	21.62	21.58
P-value	0.0034	0.0034	0.0034	0.0024	0.0024	0.0024	0.0024	0.0052	0.0087	0.0065	0.0025	0.0027

Note: *** Significance at the error level of 1%;** Significance at the error level of 5%; *Significance at the error level of 10%, The values between parentheses are the standard deviations AR(1) and AR(2) respectively represent the tests of the absence of a serial autocorrelation of the 1st and 2nd order residues, where the null hypothesis is the absence of autocorrelation of the residues. The Sargan test is the test of over-identification restrictions. Notes: TDebt, LTDebt and STDebt are, respectively, the total, long- and short-term debt ratios; FounderFamily CEO that takes the value of 1 if the founder family serves as CEO in the firm, Direct family board members is a Binary variable equal to 1 if one of the members of the Board of Directors is a family, transgenerational succession is Binary variable equal to 1 if one of the firms is a transgenerational succession, fixed assets = fixed assets/total asset, growth = log ((total assets-total asset-1)/total assets), size = log (total asset), ROA = Net income/total assets, volatility $=EVol_{i,t}= \left|\frac{(ROA_{i,t}-ROA_{i,t-1})}{ROA_{i,t-1}} - \frac{1}{T}\sum_{t=1}^{T}\frac{(ROA_{i,t}-ROA_{i,t-1})}{ROA_{i,t-1}}\right|$ Source: Prepared by the Author.

6. Results robustness

Particular attention is paid to the interaction of the familiness concept factors with the characteristics of the family businesses and the delayed debt ratio. The adopted methodology consists in applying a dynamic panel model. The results are given in Table (6). Indeed, this research has shown that the three familiness variables do not have the same effect on the financial structure of the family firms and that these three variables vary from one firm to another. The interactions between the familiness concept variables and the delay of the total debt ratio are positive and significant. This result shows that French family firms are always seeking a target ratio. However, this result is not significant for long-term and short-term debt. The relationship between the family founder CEO and the debt levels is positive with interaction models. According to this result, French family firms benefit from the relational advantages with creditors. This is because of the Facilities Provided by Banks to family firms. The transgenerational succession of family businesses has a positive and significant influence on the use of total debt with interaction models. This means that the use of debt plays a disciplinary role within the companies. The decisions were taken, in terms of debt, inspiring the creditor's confidence. The presence of family members negatively and significantly impacts the use of debt. This result shows that family businesses rely on their internal resources. That is to say, the profitability of the family businesses saves them from resorting to debt, but the interaction between the presence of the family founder CEOs and profitability is positive. This is because the objective of the leaders of the family businesses is to keep the company in the hands of the family throughout the generations by making profits (Eddleston et al., 2010).

The fixed assets of family firms are negatively and significantly related to interaction with the presence of member families on the board. Thus, the role of collateral in access to debt is not substantiated. The growth opportunities for family businesses lead to significant and negative relationships with long-term and short-term total debt levels. The interaction of the growth opportunities with the presence of the family founder is positive; the family CEO leaders tend to invest in order to maximize both their own profit and that of all the stakeholders.

Finally, the size of family firms facilitates debt access, direct family board members benefit from their seniority to improve their access to debt.

Moreover, the positive and significant relationship between profit volatility and debt remains the same with interaction. Thus, the behavior of the family businesses is based on significant future investments, substantial financing for this investment and a willingness to sacrifice short-term gains for the long-term growth of the firm (Le Breton-Miller, Miller, & Lester, 2011). In general, family businesses have not changed their financial behavior through interactions.

Table 6. Impact of the familiness concept on family firms' capital structure (robustness)

	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*
VARIABLES	**TDebt**	**LTDebt**	**STDebt**	**TDebt**	**LTDebt**	**STDebt**	**TDebt**	**LTDebt**	**STDebt**	**TDebt**	**LTDebt**	**STDebt**
The lagged debt ratio												
L.TDebt	0.738***			0.670***			0.664***			0.667***		
	(0.0287)			(0.0256)			(0.0276)			(0.0357)		
In:TDebt FF CEO*	-0.00160									0.0473***		
	(0.0165)									(0.0181)		
In :TDebt TS*				0.00452						0.0393***		
				(0.0101)						(0.0152)		
In:TDebt DFBM*							-0.0134			-0.0521***		
							(0.00974)			(0.0127)		
L.LTDebt		0.693***			0.651***			0.645***			0.665***	
		(0.0502)			(0.0494)			(0.0500)			(0.0649)	
In:LTDebt FF CEO*		0.0120									0.0349	
In :LTDebt TS*					0.0222						0.0489	
					(0.0254)						(0.0350)	
In:LTDebt DFBM*								-0.00819			-0.0512	
								(0.0190)			(0.0321)	
L.STDebt			0.693***			0.651***			0.645***			0.665***
			(0.0502)			(0.0494)			(0.0500)			(0.0649)
*In:STDebt * FF CEO*			0.0120									0.0349
			(0.0292)									(0.0374)
*In :STDebt * TS*						0.0222						0.0489
						(0.0254)						(0.0350)

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In:STDebt DFBM*									-0.00819			-0.0512
									(0.0190)			(0.0321)
FAMILINESS CONCEPT												
FF CEO	0.0617	-0.0550	-0.0366							0.313*	0.225*	0.150
	(0.136)	(0.173)	(0.115)							(0.202)	(0.209)	(0.166)
TS				0.276*	0.197	0.132				0.176*	0.273	0.182
				(0.157)	(0.198)	(0.132)				(0.253)	(0.231)	(0.154)
DFBM							-0.780***	-0.388*	-0.258*	-0.816*	-0.209	-0.140
							(0.137)	(0.209)	(0.139)	(0.495)	(0.385)	(0.257)
Firm characteristics												
Tang	-0.0105	0.0122	0.00811	-0.0958*	-0.0625	-0.0417	-0.0198	0.00443	0.00295	0.0341	0.0342	0.0228
	(0.0344)	(0.0416)	(0.0278)	(0.0515)	(0.0396)	(0.0264)	(0.0629)	(0.0559)	(0.0373)	(0.0712)	(0.0657)	(0.0438)
Tang FF CEO*	-0.195***	-0.135**	-0.0902**							-0.204**	-0.137**	-0.0912**
	(0.0617)	(0.0621)	(0.0414)							(0.0816)	(0.0650)	(0.0433)
Tang TS*				0.00623	0.0117	0.00781				-0.00167	-0.0265	-0.0177
				(0.0755)	(0.0622)	(0.0414)				(0.0815)	(0.0629)	(0.0419)
Tang DFBM*							-0.140*	-0.0952	-0.0634	-0.00558	-0.0282	-0.0188
							(0.0726)	(0.0662)	(0.0441)	(0.0826)	(0.0709)	(0.0473)
Size	0.0141**	0.00557	0.00371	0.0124***	0.00890*	0.00593*	-0.0127*	-0.00822	-0.00548	-0.0130	-0.00413	-0.00276
	(0.00692)	(0.00582)	(0.00388)	(0.00377)	(0.00525)	(0.00350)	(0.00658)	(0.00845)	(0.00564)	(0.00891)	(0.0113)	(0.00753)
Size FF CEO*	0.00247	0.00519	0.00346							-0.0208	-0.00958	-0.00639
	(0.00839)	(0.00827)	(0.00551)							(0.0146)	(0.0125)	(0.00833)
Size TS*				-0.00798	-0.00531	-0.00354				-0.00195	-0.00261	-0.00174
				(0.00745)	(0.00956)	(0.00637)				(0.00811)	(0.0114)	(0.00760)
Size DFBM*							0.0293***	0.0179*	0.0119*	0.0402**	0.0189	0.0126
							(0.00684)	(0.00951)	(0.00634)	(0.0179)	(0.0149)	(0.00994)
ROA	-0.109***	-0.0902**	-0.0601**	-0.0697	-0.0734*	-0.0490*	-0.0426	-0.0237	-0.0158	-0.0835**	-0.0702	-0.0468

	(0.0308)	(0.0393)	(0.0262)	(0.0495)	(0.0405)	(0.0270)	(0.0309)	(0.0465)	(0.0310)	(0.0381)	(0.0526)	(0.0351)
ROA FF CEO*	0.172***	0.0934*	0.0622*							0.303***	0.187***	0.125***
	(0.0382)	(0.0524)	(0.0349)							(0.0537)	(0.0717)	(0.0478)
ROA TS*				0.0674	0.0662	0.0442				0.105**	0.0899*	0.0600*
				(0.0524)	(0.0504)	(0.0336)				(0.0527)	(0.0544)	(0.0363)
ROA DFBM*							-0.0231	-0.0226	-0.0151	-0.305***	-0.187**	-0.125**
							(0.0385)	(0.0543)	(0.0362)	(0.0577)	(0.0763)	(0.0508)
Vol	-0.00130**	-0.000600	-0.000400	-0.00124**	-0.000772	-0.000515	-0.00219***	-0.000757	-0.000504	-0.00360***	-0.00227	-0.00151
	(0.000605)	(0.00114)	(0.000761)	(0.000571)	(0.00111)	(0.000738)	(0.000631)	(0.00120)	(0.000798)	(0.000727)	(0.00143)	(0.000955)
Vol FF CEO*	0.00343**	0.00229	0.00153							0.00269	0.00247	0.00165
	(0.00144)	(0.00186)	(0.00124)							(0.00178)	(0.00267)	(0.00178)
Vol TS*				0.00438***	0.00296*	0.00197*				0.00446***	0.00342*	0.00228*
				(0.00124)	(0.00179)	(0.00119)				(0.00134)	(0.00184)	(0.00122)
Vol DFBM*							0.00546***	0.00265	0.00177	0.00236	0.000402	0.000268
							(0.00133)	(0.00177)	(0.00118)	(0.00179)	(0.00257)	(0.00172)
Growth	-0.0278*	-0.0478***	-0.0319***	-0.00307	-0.0154	-0.0103	-0.101***	-0.0621***	-0.0414***	-0.0575***	-0.0376**	-0.0251**
	(0.0154)	(0.0106)	(0.00706)	(0.0115)	(0.0136)	(0.00906)	(0.0190)	(0.0130)	(0.00869)	(0.0202)	(0.0185)	(0.0123)
Growth FF CEO*	0.0167	0.0428**	0.0286**							0.00693	0.0146	0.00973
	(0.0200)	(0.0195)	(0.0130)							(0.0167)	(0.0233)	(0.0156)
Growth TS*				-0.0648***	-0.0309*	-0.0206*				-0.0533***	-0.0300	-0.0200
				(0.0168)	(0.0181)	(0.0121)				(0.0183)	(0.0187)	(0.0124)
Growth DFBM*							0.0920***	0.0542***	0.0361***	0.0822***	0.0375*	0.0250*
							(0.0202)	(0.0175)	(0.0117)	(0.0195)	(0.0221)	(0.0148)
CFGO	-0.00485	-0.0284	-0.0189	0.00762	0.000306	0.000204	-0.134***	-0.0664	-0.0443	-0.0818	0.0457	0.0304
	(0.0247)	(0.0345)	(0.0230)	(0.0106)	(0.0173)	(0.0115)	(0.0277)	(0.0455)	(0.0303)	(0.138)	(0.0889)	(0.0592)
CFGO FF CEO*	-0.0144	0.0127	0.00848							-0.00882	0.0262	0.0175
	(0.0273)	(0.0433)	(0.0289)							(0.125)	(0.1000)	(0.0667)

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*CFGO*TS*				-0.0343	-0.0177	-0.0118				-0.0886	0.00963	0.00642
				(0.0292)	(0.0285)	(0.0190)				(0.0746)	(0.0586)	(0.0391)
CFGO DFBM*							0.119***	0.0517	0.0345	0.0946	-0.0663	-0.0442
							(0.0305)	(0.0495)	(0.0330)	(0.224)	(0.161)	(0.107)
Constant	-0.0730	0.0538	0.0358	-0.0684	-0.0661	-0.0441	0.757***	0.398**	0.266**	0.568	-0.0463	-0.0309
	(0.121)	(0.120)	(0.0797)	(0.0858)	(0.115)	(0.0763)	(0.132)	(0.185)	(0.124)	(0.457)	(0.312)	(0.208)
Observations	900	900	900	900	900	900	900	900	900	900	900	900
Number of firms	100	100	100	100	100	100	100	100	100	100	100	100
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sargan	45.374	44.386	43.88	44.048	43.874	45.36	43.625	45.385	44.386	45. 754	44.875	42.36
p-value sargan	0.3854	0.3714	0.381	0.3749	0.385	0.34	0.3604	0.458	0.3714	0.20	0.3854	0.311
Ar1	-4.574	-4.759	-4.754	-4.674	-4.897	-4. 92	-4.778	-4.985	-4.759	-4.69	-4.529	-4.59
P-value AR(1)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Ar2	-0.158	-0.1351	-0.147	-0.253	-0.137	-0.11	-0.129	-0.1965	-0.1351	-0.286	-0.1871	-0.190
P-value AR(2)	0.8585	0.8925	0.875	0.588	0.8985	0.85	0.897	0.8875	0.8925	0.896	0.8875	0.888
Test de Wald(v_t)	24.44	22.94	21.68	23.874	22.025	22. 48	24.48	22.875	22.94	22.784	22.584	22.63
P-value	0.0084	0.0034	0.0041	0.00254	0.00564	0.0044	0.0019	0.0054	0.0034	0.00287	0.00254	0.0043

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Source: Prepared by the Author

7. Conclusions

This article examines the impact of the concept of familiness on the financial structure of family businesses. The results show that the concept of familiness plays a significant role in the choice of the financing mode.

In this research, we first focused on the role of the family shareholder leader. The latter's main objective is to keep the company in the hands of the family over generations. As a result, he will be eager to build relationships with the creditors to secure the necessary financing for growth and to protect the company's assets (Antoniou, Guney, & Paudyal, 2008; Bencheikh & Chibani, 2017; Céspedes et al., 2010). In this work, we have verified the positive impact of transgenerational succession on the use of debt. Indeed, the use of debt serves as a mechanism of governance in the reduction of opportunistic management.

Moreover, the results show that family members who share beliefs, values, and a shared vision are more geared to the use of less debt. This means that when the direct supervision of management is achieved by the members of the family board of directors, it will be almost needless to resort to debt to avoid the dilutions of control of the family business as well as the cost of distress. Our result is consistent with that of (Ampenberger et al., 2013; Ltaief Chibani, Henchiri, & Degos, 2016; González et al., 2013; Ltaief & Henchiri, 2016b).

This research has shown that the involvement of the family in the company leads to a different financial structure from the rest of the companies. Moreover, the results of the model estimation show that the concept of familiness is more liable to explain the specificity of the capital structure of the French family firms. To better understand the family business, there are other factors related to family businesses that are increasingly significant, such as altruism, the socioemotional wealth theory, and internationalization. These factors should have an impact on financial decisions of financing.

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Author Contributions

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