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Leveraging Credit Ratings Through Impression Management: An Exploratory Study of German Small and Medium-Sized Family Firms

Ludwig Marrenbach

EBS Business School

Abstract

In an era marked by multi-crisis environments, the significance of corporate finance and credit ratings amplifies, especially for German small- and medium-sized family firms, often constrained in accessing capital markets. This thesis investigates how family firms employ impression management strategies within qualitative credit ratings to enhance their creditworthiness. Through exploratory qualitative research involving 17 interviews with German family firms and banks, primarily financing the Mittelstand, three key dimensions of impression management emerge: family-specific, business-specific, and relationship-specific tactics. Family-specific factors, including values and generational succession, significantly influence qualitative credit rating scores. Moreover, the interplay between firms and banks, orchestrated by the owning family, shapes effective impression management strategies. This research underscores the role of family involvement in shaping qualitative credit ratings, emphasizing the interrelations among family, business, and banking dynamics. The discussion highlights the relevance and adaptability of these impression management dimensions, contributing to a deeper understanding of qualitative credit rating processes within the context of family firms.

Keywords: credit rating; family firm; impression management; leveraging credit ratings; qualitative rating factors

1. Introduction

Family firms (FFs) which are predominately associated with the German Mittelstand form the backbone of the German economy and account for over half of the German gross domestic product (GDP) (Pahnke & Welter, 2019). In times of advancing globalisation, increasing governmental regulation and digitalisation, FFs are increasingly becoming the focus of research, being the engine of the German economy. FFs, which are generally characterised by a long-term vision (Covin & Lumpkin, 2011), strong values (Salvato et al., 2019), and close ties with society (Yates et al., 2023), must face these challenges and position themselves accordingly. The characteristic of the coupling of two different systems, namely the family and the firm (Habbershon & Williams, 1999), likewise presents FFs with a double challenge (Neuvians, 2011). Despite the coupling, the need to position the business successfully and shape the family relationships to achieve maximum success for the firm is evident. Peter May, who specialises in advising German FFs, sums up the overall importance of the family for the firm by stating: “Family businesses have one very big advantage and one very big disadvantage, and both are the family. A family at peace is the best thing there can be for a business, a family at odds is the worst thing.” (May, 2001).

The challenges of economic change are most evident in the German Mittelstand, where FFs are predominantly located. The challenges range from supply chain difficulties to sustainability and a shortage of skilled workers. In addition, however, most German medium-sized firms face a significant challenge. Since the financial crisis of 2008, the business environment has changed significantly concerning debt financing requirements and regulations. This change is mainly caused by the Basel III regulation adopted by the European Union (EU) to protect the banking system. Basel III is a joint effort by the EU member states to impose stricter rules on banks to limit their freedom in credit ratings (Marek et al., 2022). This banking system regulation presents FFs with the difficulty of competing for loans and investors in ex-

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ternal financing. As FFs are usually traditionally grown companies, they are similarily characterised by tradition and continuity concerning suppliers, customers, and business partners (Becker & Ulrich, 2015; Rose, 2018). Despite modern financing instruments, the most critical partner for FFs in terms of financing remains the bank and, with it, financing via bank loans. Driven by the house bank principle anchored in Germany, many FFs find themselves dependent on the banking system and must position themselves in this system in the best possible way (Becker & Ulrich, 2015). Within bank financing, the focus is on the frequently examined principle of credit ratings. When requesting financing, companies are confronted with a credit rating, which is the decisive factor in deciding whether to grant financing and its conditions. Previous research has, therefore, often addressed the topic of credit ratings, focusing on the quantifiable aspects related to capital structures. Regarding FFs, studies examining financing forms and capital structure characteristics are widely studied (Koropp et al., 2014; Michiels & Molly, 2017; Wiener-Fererhofer, 2017). Accordingly, much is already known about the mechanisms of credit ratings, the requirements for borrowers and the necessary financial aspects (Matthies, 2013). To a lesser extent, previous research has dealt with the qualitative, non-measurable aspects of a credit rating. The need for more comprehensive and refocused research is becoming apparent in light of the economic challenges described. Thus, we know little about how the changing external circumstances affect the requirements of credit ratings in terms of qualitative factors and to what extent FFs position themselves in the competition for loans and investors. Since the application for bank loans involves demonstrating and presenting the coupled systems of the family and the firm to the lender, this paper sheds light on the process of qualitative credit ratings when applying for bank loans. This process is explicitly illuminated through an impression management lens elaborating on its adequacy. Since impression management deals with the created image of individuals or organisations vis-à-vis third parties, the impression management theory forms the framework of this study (Bolino et al., 2016). Furthermore, previous research has shown that perception and image can influence various parameters in many contexts.

On this basis, this thesis examined whether and to what extent impression management applied by individuals or organisations is adequate in the context of qualitative credit ratings. Hence, this thesis tries to answer the research questions: "*What are relevant qualitative credit rating factors for family firms?*" and "*How do family firms use impression management to leverage their qualitative credit rating, and which family firm-specific characteristics drive this strategy?*". The research objectives are to (1) understand which factors are relevant in a qualitative credit rating, (2) examine potential asymmetries in the perception of FFs and banks on these factors and, (3) identify strategies and techniques used by FFs to manage their image in bank negotiations. My research, therefore, contributes to broadening the understanding of two essential aspects. Firstly, the classification and identification of requirements of qualitative credit rating factors and, secondly, the investigation of the effect of an impression and the forms of representation through impression management. To gain new insights into these areas and to answer my research questions, Chapter 2 gives a bundled overview of the theoretical background of impression management, credit ratings and FFs. This serves to highlight relevant theoretical aspects regarding credit ratings and to incorporate concepts of impression management. In Chapter 3, I will explain my choice of research method and the methodological approach. As my thesis is based on interviews with German banks and FFs, chapter 4 comprehensively presents my findings, which I discuss in Chapter 5 and summarise in the conclusion.

2. Theoretical Background and Relevant Literature

2.1. Impression Management

2.1.1. Introduction to Impression Management

Impression management (IM) is a concept that refers to the process by which individuals and organisations attempt to control or influence the perception that others have of them (Bolino & Turnley, 1999; Bolino et al., 2008, 2016; Nagy et al., 2012; Parhankangas & Ehrlich, 2014). The origins of IM can be traced back to the sociological work of Erving Goffman in the late 1950s, who defined it as a process by which individuals present themselves in a way that aligns with their desired image or identity (Goffman, 1959).

Since then, the concept of IM has been widely studied in various disciplines, including sociology, psychology, and business. Bolino et al. (2008) synthesised in a multi-level review the existing research on IM. The authors found that it is a complex, multi-level phenomenon that can occur at the individual, group, and organisational levels (Bolino et al., 2008). The use of IM on an individual level focuses on the type of IM tactics that can support or hinder individuals from achieving and maintaining their image from the perspective of others (Bolino et al., 2014). Historically, researchers seek to understand which behaviours of employees affect the assessment by, e.g., supervisors or other authorities. Moreover, the research tried to identify when employees use IM tactics to improve their image. Due to the vital role for individuals in creating, protecting, and maintaining the right image to succeed at work, the individual level offered many fields of study (Bolino et al., 2008, 2016). On an individual level and given the nature of IM, research has often focused on IM tactics used in job interviews, career success and performance appraisals (Bolino et al., 2014, 2016). Notably, while reviewing IM on an individual level, one needs to mention the two causes IM can have. As noted by many researchers, IM generally refers to maintaining and controlling the perception others have of them. Following IM is often used interchangeably with the term self-presentation (Bolino et al., 2008; Nagy et al., 2012).

Leary and Kowalski (1986) argued that due to the correlation of IM and the self-presentation of individuals, a separation concerning the audience of IM needs to be made as it does not only account for control of how "others" see and perceive an individual but, similarly, the individual itself. It has been argued to define this form as "self-presentation to the self" (Leary & Kowalski, 1986, p.34). Even if this aspect coincides with the broader definition of IM, and most research dealt with IM concerning others' perceptions; the terms will be used interchangeably. The research on this topic in the context of organisational levels occurred much later in the 1980s; however, it has become an essential organisational phenomenon due to its importance for both individuals and organisations (Bolino et al., 2008, 2016).

Appendix A shows the by Bolino et al. (2008) synthesised 31 frequently used IM tactics, which can be used to observe the behaviours of individuals and organisations. Even if the individual level presents most research, IM and related tactics have also been adopted on an organisational level. A broad field of application has been identified by shifting the focus towards contexts such as feedback seeking, leadership and management, and organisational citizenship behaviour (Bolino et al., 2008). Despite less intense research on organisational levels, studies suggest that also on an organisational level, IM tactics can be used to create an organisational image. To further differentiate and classify IM in the context of organisations, Bolino et al. (2008) define organisational impression management (OIM) as any action intentionally designed and carried out to influence an audience´s perception of the organisation. In contrast to IM carried out by individuals, OIM aims to create, protect, and maintain the image of an organisation through a spokesperson and organisational representatives (Bolino et al., 2008; Elsbach et al., 1998). Another significance of OIM compared to IM on an individual level lies, according to Leary and Kowalski (1986), in the approach of "others-as-audience", differing from pure self-presentation in the process of showing oneself as a particular type of being, representing "self-as-audience". Therefore, OIM focuses on self-presentation to "others" (Leary & Kowalski, 1986). Due to the context and research objective of this thesis, both IM and OIM, as well as their influence on "others", is of primary concern as this type of behaviour may be most pertinent in the studied work context of credit ratings given the coupled system of the family (individual) and firm (organisation).

2.1.2. Dimensions of Impression Management

IM being a well-researched field in business, several dimensions of IM and OIM have been identified. Mohamed et al. (1999) stated that IM and OIM tactics may be differentiated. It must be mentioned that research does not entirely classify IM tactics as either individual or organisational-related. Bolino et al. (2008) acknowledged the differentiation by Mohamed et al. (1999), however, sees the problem in the scattered research on OIM specifically. Because OIM is, as mentioned, conducted by spokespersons and organisational representatives (individuals as such), IM tactics might be assigned on both levels simultaneously. In their multi-level review, Bolino et al. (2008) identified a link between individual-level antecedents and organisational outcomes, bringing IM and OIM research closer together. In spite, one can distinguish between direct and indirect tactics to allow classification. Direct tactics involve proactively presenting own traits, accomplishments, and abilities, whereas indirect tactics are defined is understood as managing information about whom and what an individual or organisation is associated with (Mohamed et al., 1999). Furthermore, the context in which IM is used highly influences the applied type. Tedeschi and Melburg (1984) pointed out that IM further needs to be subdivided into assertive and defensive tactics. Assertive tactics are used in situations to boost an image actively, and defensive tactics are used to respond to issues affiliated with an individual or organisation. Some of the 31 synthesised IM tactics by Bolino et al. (2008) were classified to be purely OIM tactics. They were therefore allocated in **Table 1** 2 × 2 metrics, which comprise direct-assertive, indirect-assertive, direct-defensive, and indirect-defensive tactics (Mohamed et al., 1999; Tedeschi & Melburg, 1984).

The differentiation and classification however remain ambiguous. Additionally, research has found that the tactics and related processes can be of conscious and unconscious nature. Individuals or organisations can strategically and purposely try to cultivate a distinct image of themselves or as an organisation. Opposingly, unconscious IM being habitual describes individuals or organisations having reflexive tendencies (Bolino et al., 2016; Leary & Kowalski, 1986). Nevertheless, the myriad tactics, processes, and differentiations between individual and organisational levels can be reduced by reviewing the components of IM.

Impression motivation and impression construction are the most fundamental aspects which influence and affect all tactics on an individual or organisational level. Most research focuses on conscious IM, for which goal relevance, goal value and the discrepancy between desired and current image constitute the impression motivation. The component of impression construction comes in place once the impression motivation is fulfilled, involving choosing which IM tactic to use and, more precisely, how to use the tactic (Bolino et al., 2016; Leary & Kowalski, 1986). The resulting measurement of IM tactics proves difficult due to many variables, such as who is involved, under which conditions the behaviour happens and to whom the tactic is targeted (Bolino et al., 2016).

2.1.3. Previous Studies on Impression Management

Previous studies on IM have focused on various subjects, including tactics used by individuals and organisations, factors influencing the tactics' effectiveness, and the resulting consequences and impact IM can have on individuals and organisations (Bolino et al., 2008, 2014, 2016). Similar to the different levels of IM, the existent literature analysed the effects of IM, primarily focusing on personal influence and referred concepts in different intra-organisational phenomena (Parhankangas & Ehrlich, 2014). On three levels: individual, within organisations, and between organisations and stakeholders, studies identified goal relevance, benefits, and diverse audience and actor-related variables (Bolino et al.,

Table 1: Metrics Organisational IM Tactics (adapted from Mohamed et al. (1999))

Dimensions	Direct	Indirect
Assertive	Ingratiation Intimidation Org. Promotion Exemplification Supplication	Boasting Blaring Burnishing Blasting
Defensive	Accounts Disclaimers Org.Handicapping Apologies Restitution Prosocial Behaviour	Burying Blurring Boosting Belittling

2008). The focus, however, has remained to research IM in the context of performance appraisals, job interviews, career success, feedback-seeking, leadership, and whistleblowing (Gundlach et al., 2003; Parhankangas & Ehrlich, 2014; Roberts, 2005).

The studies and research fields mentioned so far have looked at IM from an inward perspective. This way, correlations between IM behaviour and its results could be identified. However, much less attention has been paid to the benefits of IM for organisations regarding external evaluation. Most studies have been conducted at the organisational level on the effects of IM on the legitimacy of an organisation after certain events or poor performance (Nagy et al., 2012), increasing acceptance of decisions (Davidson III et al., 2004), and recruiting minority job applicants (Avery & McKay, 2006). Scholars, however, have called to consider the "bigger picture" of IM (Bolino et al., 2008, p. 1099). A more focused approach of IM outside the predominantly contexts, such as feedback-seeking and job appraisals, is of interest to deepen the understanding of business phenomena IM can find its use (Bolino et al., 2008).

Parhankangas and Ehrlich (2014), in their quantitative study on the impact of IM for entrepreneurs in raising capital, set the stage for examining IM in an external context. They investigated to what extent and which IM tactics entrepreneurs use to seduce business angels and secure investments in the early funding stages (Parhankangas & Ehrlich, 2014). The research found that entrepreneurs use various tactics to present themselves in the best light, such as their experience, the uniqueness of their ideas, and testimonials from past partners. Additionally, the study found that entrepreneurs with high self-confidence, enthusiasm, and passion for their projects were more likely to successfully attract investment from business angels (Parhankangas & Ehrlich, 2014). They contributed to the existing literature by analysing the role of assertive IM tactics as positive language, promotion of innovativeness, opinion conformity, exemplification, supplication, intimidation and blasting of competition (Parhankangas & Ehrlich, 2014). The intention resolves non-verifiable claims an entrepreneur makes before reliable information is available. Their results suggest that IM if used appropriately, can increase the chances for entrepreneurs to raise business angel funding. Their study has shown that besides defined IM tactics, different approaches by organisations can be used to create an image and impress others, widening the perspectives IM can be looked at.

This thesis will follow a similar approach as Parhankangas and Ehrlich (2014) in identifying if IM is used in the business context of business funding. However, it will not be specified which tactics can be expected to be found in advance. Instead, an exploratory approach is used as no previous research exists, which would reduce the number of IM tactics. Nonetheless, this thesis adds to the knowledge of Parhankangas and Ehrlich by changing the business context to corporate credit ratings, with actors being FFs and targets represented by banks.

2.2. Corporate Credit Rating

2.2.1. Overview Credit Rating

Ratings are used for various entities, such as countries, corporations, and financial products. A fundamental difference in credit ratings can be made by having internal and external ratings. External ratings are conducted by specialised rating agencies, whereas internal ratings, known as "shadow ratings", are conducted by banks (Becker & Ulrich, 2015; Matthies, 2013). Corporate credit ratings (hereinafter: credit rating) are meant to condense the quality of a debtor and quantify the expected probability of default (POD). It allows banks to measure credit risk, align a bank's credit portfolio and is the basis for loan approvals, monitoring, and pricing (Claessens et al., 2018; Grunert et al., 2005; Matthies, 2013). A corporate credit rating is crucial in influencing lending practices and the economy. Credit institutions are responsible for reviewing and evaluating credit applications to assess the debtor's POD. Both quantitative and qualitative factors play a role in this process (Boot et al., 2006). Numerous studies in the literature deal with credit rating methods and their strengths and weaknesses.

A study by Altman (2005) examined the predictive power of credit ratings for corporate insolvency risk. The results show that credit ratings are a good indicator of insolvency risk, but there are some limitations to the accuracy of the prediction (Altman, 2005). The author concludes that predictions are less reliable, especially in smaller companies or in times of economic instability. Another study by Berger and Udell (2006) examined the relationship between credit ratings and the credit terms companies receive from banks. Their results show that companies with higher credit ratings receive better credit terms, including lower interest rates. The authors conclude that creditworthiness is essential in determining whether and on what terms a bank will lend to a company, highlighting the importance of corporate credit ratings (Berger & Udell, 2006). Further, Ongena et al. (2013) examined the impact of credit ratings on lending during the 2008 financial crisis. The results show that banks tended to reject loan applications from companies with low credit ratings during the financial crisis. This led to a decline in overall lending, especially to small and medium-sized enterprises (SMEs) (Ongena et al., 2013).

Another vital aspect in assessing a company's creditworthiness are regulatory requirements, especially under Basel III. Basel III is an international set of rules regulating banks and their capital and liquidity requirements (Basel Committee on Banking Supervision, 2013). Basel III aims to improve banks' risk management and increase the stability of the banking sector and financial markets. The rules are based on three pillars: enhanced minimum capital requirements, risk position monitoring, and bank disclosure and transparency. The introduction of Basel III has helped to harmonise banking regulation worldwide and make the banking sector more resilient to crises. However, some critics argue that Basel III is too strict and could hamper growth and lending practices (Basel Committee on Banking Supervision, 2013). The effects of Basel III on credit ratings resulted in stricter and uniform quantitative factors. However, qualitative factors remain un-uniformed and are chosen by banks individually. As credit ratings are a major concern for stakeholders (e.g., banks), identifying credit rating factors has gained significance in prior literature. Nevertheless, the differences between companies' quantitative and qualitative assessments are presented in the following. Bank internal ratings are similarly composed as ratings by external agencies. Rating agencies such as S&P and Moody's present the largest on the market (Camanho et al., 2022) and are most referred to in terms of quantitative and qualitative factors. **Appendix B** comprises key aspects, similarities and differences between common rating factors used by the leading rating agencies and commercial banks. The quantitative assessment is mainly accomplished by financial statements being essential determinants (Matthies, 2013). Analyses of financial ratios from a company's balance sheet and income statement represent easily accessible and quantifiable company information.

Reasonable ratios used in credit ratings are the debt-to-equity ratio, equity ratio, liquidity, and the company's profitability (Matthies, 2013). These ratios assess the credit risk and can be used to determine a company's creditworthiness. During Basel III, the requirements for credit risk assessment have become more stringent and moved the evaluation centre to quantitative aspects (Gama & Geraldes, 2012; Marek et al., 2022). Banks must now have better equity capitalisation to protect themselves against the risk of a loan default (Marek et al., 2022). Nevertheless, Basel III requires banks to consider quantitative and qualitative factors when assessing credit risk and conducting credit ratings. Qualitative ratings, in contrast, refer to non-financial factors such as the company's industry, management's quality, succession, company's competitiveness and the industry's prospects (Crouhy et al., 2001; Krahnen & Weber, 1999; Matthies, 2013). However, assessing qualitative factors is more complex than assessing quantitative factors, as they are often subjective and may be less quantifiable. Therefore, banks evaluate companies using a combination of quantitative and qualitative factors (Grunert et al., 2005). This combination allows for a more comprehensive assessment of a company's credit risk and creditworthiness. However, the role of non-financial factors remains ambiguous (Grunert et al., 2005). Furthermore, transforming the above-mentioned factors into ratings is essential in determining credit risk.

2.2.2. Credit Ratings of Family Firms

The stated quantitative and qualitative factors are usually converted into ratings with the help of a rating model. These models are based on statistical methods and can be weighted and combined to produce an overall rating score that varies between banks (Claessens et al., 2018; Krahnen & Weber, 1999). Both quantitative and qualitative factors are usually considered to provide a comprehensive credit risk assessment. An example of a rating model is the rating methodology of Standard & Poor's, which is explicitly used for corporate loans. Different factors (see **Appendix B**) are classified and weighted into categories. Categories include, for example, the company's financial strength, competitive position, management, and corporate strategy (S&P, 2023). The weighting of the individual categories varies depending on the used model and bank. Ratings are usually expressed as letters or numbers, with higher ratings indicating better creditworthiness. For example, Standard & Poor's considers AAA-rated companies very creditworthy, while C-rated companies are speculative and have a high POD (S&P, 2023). Another suggested rating model is the use of the so-called z-score. First presented by Altman and Saunders (1997), historical default rates are regressed to determine an optimal function between defaulted and "survived" debtors. These estimates are used to predict the future POD of firms called the z-score (Altman & Saunders, 1997). The calculated z-score can thus be translated into a rating to determine a final score. Besides, more accurate models emerged, which include myriad forms of variables. Despite its age, the proposed model by Altman and Saunders (1997) and the resulting z-score are still used to calculate a borrower's credit risk (Altman et al., 2017; Gama & Geraldes, 2012). Notably, there are no uniform rating schemes and models used by banks. Different approaches to measuring credit risk and formulating credit ratings can be applied. Many studies have analysed the changes in credit ratings and the effects of new regulations. Primarily the literature focuses on rating agencies and, to a much lesser extent, on internal ratings by banks.

Nonetheless, similar approaches in conducting ratings might be assumed through shown similarities in the factors rating agencies and banks use to develop a credit rating (Marek et al., 2022). Yet we know little about the weighting and more detailed qualitative factors used in credit ratings. As frequently stated in the literature, management quality, competitiveness, and industry prospects are some broader qualitative categories banks consider in their ratings. Moreover, qualitative ratings might be impacted by industry sectors and ownership structure. Wiener-Fererhofer (2017) analysed whether family and non-family firms' credit score differences exist. The author examined whether FFs are rated differently than non-family firms (NFFs) in credit ratings. The author argues that credit rating differences could be due to characteristics of FFs such as less transparency, higher leverage, and more conservative financial policies (Wiener-Fererhofer, 2017). However, the author points out that rating FFs in the credit assessment process is more complex than rating NFFs. To conduct ratings of family-owned firms, banks or other entities must often consider family relationships and governance structures (Wiener-Fererhofer, 2017). Therefore, the author suggested that rating agencies and banks must adapt their rating methodologies to better reflect the unique characteristics of FFs. Overall, the author emphasised that better differentiation of family and NFFs in the credit rating process will help FFs be rated more fairly and access more favourable financing opportunities (Wiener-Fererhofer, 2017). Nevertheless, the lack of uniform regulations regarding qualitative factors increases the difficulty in assessing the role of these factors. Moreover, the firms' influence on qualitative credit ratings has not yet been studied.

2.3. Family Firms

2.3.1. Distinctiveness of Family Firms

In the last decade, FFs comprised many fields of research that gained increasing attention. This increasing interest in FFs may result from being the predominant organisational structure worldwide. Further, the crucial economic role of FFs, within the German economy has constantly been evident (Foundation for Family Businesses, 2023; Klein, 2000; Wallau et al., 2007). The broad variety of subjects examined in the context of FFs created the problem of which constituents are relevant and defining aspects of FFs (Barnes & Hershon, 1994; Klein, 2000). According to Klein (2000), a FF "*is a company that is influenced by one or more families in a substantial way. A family is defined as a group of people who are descendants of one couple and their in-laws, as well as the couple itself. Influence, in a substantial way, is considered if the family either owns the complete stock or, (...) through corporate governance or influence is through management. For a business to be a family business, some shares must be held within the family*." (Klein, 2000, p.158).

According to Barnes and Hershon (1994), the family business includes family-owned, family-managed, and family-controlled businesses. However, family control and ownership are the decisive aspects of identifying and distinguishing FFs from NFFs.

Figure 1 illustrates the typology of the German SME sector and highlights the difference between FFs and other business forms. For a firm to be classified as a FF, most shares or capital needs to be held by the founder or descendants of the founding family (Bauweraerts & Colot, 2012; Duréndez Gómez-Guillamón et al., 2016; Klein, 2000; Wiener-Fererhofer, 2017).

To at least be defined as a family-orientated firm, Duréndez Gómez-Guillamón et al. (2016) stated that the family needs to hold a minimum of half the capital. Besides the criterion of ownership, referring to the shareholder situation, FFs are typically characterised to be in family control, with family members covering relevant positions in top management and aiming to maintain this control beyond current generations (Anderson & Reeb, 2003; Bauweraerts & Colot, 2012; Gómez-Mejía et al., 2016; Sharma & Sharma, 2011; Wiener-Fererhofer, 2017). The long-term orientation of FFs constitutes one of the main characteristics as FFs have the "intention to shape and pursue the vision of the business (...)" (Chua et al., 1999, p.25). The cross-generational aspect of FFs has been similarly mentioned by Kellermanns et al. (2012), stating that FFs are characterised by the intention of achieving and shaping visions for succeeding family members. A more contrasting aspect of defining and distinguishing FFs from NFFs is, according to Habbershon et al. (2003), the competitive edge of familiness defined "as the unique bundle of resources a particular firm has because of the systems interactions between the family, its individual members, and the business" (Habbershon & Williams, 1999, p.11).

Furthermore the capital structure of FFs similarly shows specifics and is increasingly the subject of scholars. Capital structure decisions are influenced by strategic values and goals of corporate management as well as a complex interplay of exogenous and endogenous factors (Barton & Gordon, 1988; Becker & Ulrich, 2015; Myers, 1984). The capital structure of companies relies on three fundamental sources of funds: internal funds, debt, and new equity. In spite, little is known about how companies decide which funds to choose as a preferred base source of capital. The effective management and choice of financial sources are vital for the financial welfare and the firm's survival and determine the capital structure (Koropp et al., 2014). Stated qualitative aspects of ownership and control characterising FFs can serve as indicators to formulate a preferred order of funds. Cross-generational welfare and the context of maintaining control by family members directly influence external funding policies (Michiels & Molly, 2017).

Safe and continuous operations are at the centre of FFs, justified by the intention of maintaining the company over

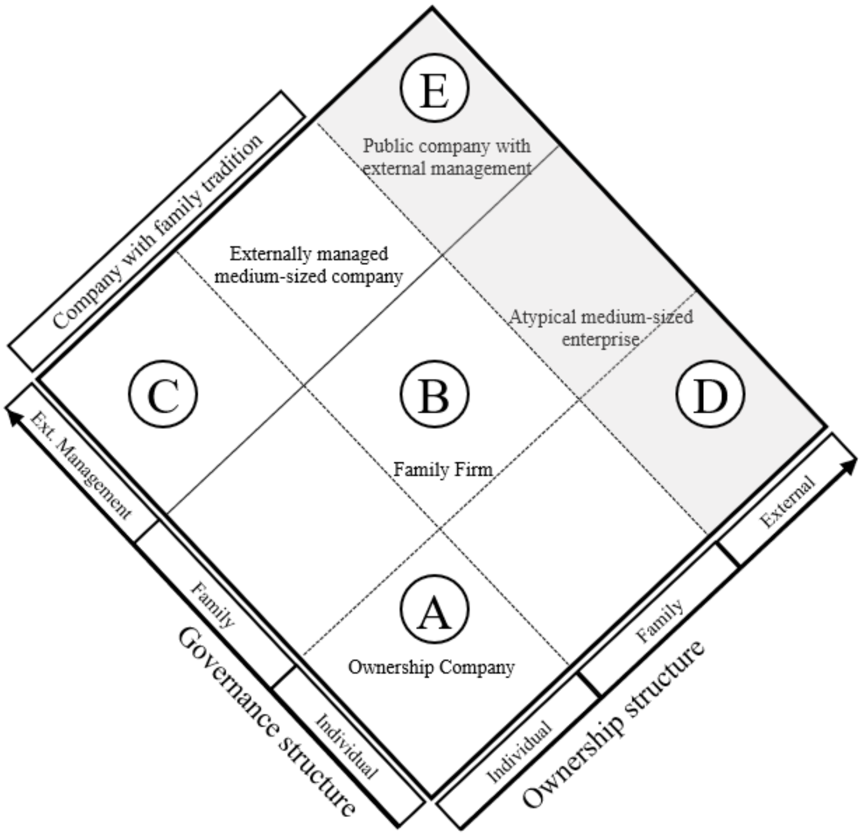

Figure 1: Typology of the SME Sector (Adapted from Becker and Ulrich (2015, p.7))

the long term (Chua et al., 1999). Moreover, maintaining control within the family leads to primarily financing operations and growth by retaining and reinvesting profits (Rottke & Thiele, 2018). Therefore, issuing new equity by external funding would limit or impact the family's control within the firm. According to Jansen et al. (2022), FFs follow a more hesitant approach to funds, potentially limiting their ability to act. Referring to the three primary forms of funds and the perceived hesitance of FFs, internal funds would be the most favourable funding source. If, however, the shareholders of a FF rely on the company's current income to earn their living, internal funds can be non-sufficient. On the condition that a FF seeks external funding despite the conservative funding policy, Myers (1984) stated to issue debt rather than equity securities. Myers (1984) proposed the rule to "Issue safe securities before risky ones." (Myers, 1984, p.11), which correlates with the aspect of FFs favouring safe and continuous operations over a long-term and emphasising the endogenous non-economic factors as risk-taking and family goals (Becker & Ulrich, 2015; Berrone et al., 2012; Jansen et al., 2022). Besides, the equity market appears to be less developed for most FFs, which leads inexperienced FFs in the field of equity funding to costly and inefficient equity-raising processes (Blumberg & Letterie, 2008).

2.3.2. Relevance of Credit Ratings for Family Firms

The scholar Gordon Donaldson proposed one of the first theories related to how a company should choose its funding sources in 1961. His research was closely linked to identifying the optimal amount of debt a company should have and determining firms' debt capacity related to firm value (Donaldson, 1961). The pecking-order theory by Myers (1984) links to the three primary forms of funds and elucidates on a particular order. Myers observed that internal funding should be the first choice before issuing external securities in debt or equity. Myers's (1984) rule to issue debt as the safest form of securities builds on the pecking-order theory, leaving equity as a last resort. Even if the pecking-order theory could be rejected while trying to explain all corporate finance-related issues and empirical research is discordant about the presence of the theory, FFs' strong reliance on internal funding and debt is evident and in line with the pecking-order theory (Jansen et al., 2022; Myers, 1984). Furthermore Jansen et al. (2022) investigated over a thousand financing decisions of 277 privately held Belgian FFs to develop a theoretical and empirical family pecking order while arguing that FF-specific financing types as family capital is needed to make a more fine-grained distinction. Their results proved the presence of a pecking order showing a modified hierarchy of the financing sources for internal funding, followed by debt, family capital and external equity (Jansen et al., 2022).

Assuming the findings on Belgian firms are similar present in Germany, debt funding in the form of loans is the primary external funding instrument for FFs. Financing through bank loans can generally be divided into long-term and short-term loans. If such financing is used for investments and operational business activities, FFs mainly resort to house banks (Gama & Geraldes, 2012). The house bank principle describes a relationship between companies and regional banks historically anchored in Germany. SMEs increasingly maintain long-lasting business relationships with one or a few banks (Becker & Ulrich, 2015). A study conducted by the German Reconstruction Loan Corporation (Kreditanstalt für Wiederaufbau, KfW) in 2019 shows that around 93% of German SMEs follow the house bank principle and show an apparent loyalty to their house bank (KfW, 2019). The house bank principle of German SMEs, which include FFs, shows that external financing continues to be primarily provided by banks and that there is hardly any demand for alternative forms of financing among German SMEs. Gama and Geraldes (2012) see the advantage of an exclusive relationship with banks, such as a house bank, in fewer information asymmetries, and that banks are more committed to financing companies. The house bank principle and loans as the primary source of external financing for German SMEs represent a link and relevance to Myers' pecking-order theory (Becker & Ulrich, 2015; Myers, 1984).

The strong anchoring of traditional loans in German FFs describes a business phenomenon in which IM can have an influence or presence. So far, there are no studies or research on the concrete application of IM concerning its use in credit ratings. The theory of IM has called for understanding IM tactics in other business contexts than previously studied. A bank's lending process, including evaluating qualitative factors, is relevant for FFs in Germany, and additionally, the qualitative credit rating shows possible IM applicability for FFs. As IM represents the process of creating an image or perception towards others Bolino et al. (2016), the business context of credit ratings of FFs represents this research field. Furthermore, the assessment of qualitative factors is, as stated, highly subjective, creating the possibility for FFs to influence the perception of banks in credit ratings to potentially leverage the conducted qualitative credit rating and resulting credit score.

3. Research Methodology

In this chapter, I will go into more detail and describe which qualitative methods I used for the data collection on the one hand and for data analysis to answer the research questions. To have transparency and rigor in my qualitative research, the path of data collection, evaluation, and theory building must be comprehensible (Gioia et al., 2013). Therefore, this chapter is intended to describe the methods I used for the research and make my methodological steps comprehensible.

3.1. Research Design

To answer my research questions and identify if the phenomenon of IM finds evidence in the context of credit ratings among FFs, and since little research has been done on how IM is used in credit ratings, this research is conducted on an inductive qualitative research approach aligned to Gioia et al. (2013). Moreover, Marshall and Rossman (1995) argued that qualitative studies are feasible for studying poorly understood phenomena. My choice of qualitative research is consistent with IM literature calling for more studies in different business contexts while seeing IM in a bigger picture (Bolino et al., 2008). In addition, unlike quantitative research, qualitative research does not require fixed and predefined research subjects, which suits my exploratory research (Thomas, 2006). The qualitative research design has been chosen as it is instrumental in theory development as it can describe a phenomenon occurring in specific contexts. Besides developing new theories, Nowell and Albrecht (2019) argued that qualitative research using an inductive approach allows for the emergence of our understanding based on organisations and people who experienced it. As this thesis builds on the existing theory of IM in other contexts while intending to build a new theory in a different business context, the scientific approach of qualitative and inductive research applies. As mentioned, previous research has focused on the applicability of IM in other business contexts and primarily intra-organisationally, following which I used inductive research to add to the existing knowledge while exploring a new context. As the primary purpose of inductive research is to enable "research findings to emerge from frequent, dominant, or significant themes inherent in raw data" (Thomas, 2006, p. 238) without restraints from methodologies, the inductive approach is coherent with my thesis objectives. It allows IM to be examined for relevance in a new context and to find answers for my research questions.

Besides, I acknowledged Pratt et al. (2022) criticism that qualitative research had been dominantly conducted using templates such as Gioia et al. (2013) or Eisenhardt and Graebner (2007), potentially worrying about the effect on the quality of research. To be coherent with calls from qualitative research to be more rigorous, I decided to use, besides the research design by Gioia et al. (2013), the active categorisation framework by Grodal et al. (2020) to precisely describe how my collection, coding, and data analysis lead to theory building. Therefore, I ensured by using an additional methodology to maintain quality and rigor throughout my research. I have used semi-structured interviews to explore the core of the thesis, represented by observing the behaviours of organisations and individuals within credit ratings. For my thesis, semi-structured interviews are the most suitable method of gathering data as it allows me to focus on the opinions and experiences of interviewees while aiming to gain rich and in-depth data (Bryman, 2016). Furthermore, Silverman (2009) stated that interviews in exploratory studies need to be less structured than in confirmatory studies and are frequently used to generate generalisable data.

Nevertheless, the use of semi-structured interviews made sure that important issues were covered and to keep orientation while conducting the interviews. Furthermore, disregarding a strict structure allowed individual opinions and statements to be developed in a non-restrictive way.

3.2. Data Collection and Sources

As my thesis is based on exploratory research, interviews are the primary source of information to identify behaviours and opinion formation within credit ratings in respect to qualitative factors. I focused not only on the behaviour of FFs in credit negotiations and its impact on credit ratings but also on identifying if asymmetries between FFs and banks exist regarding qualitative factors in credit ratings. My thesis is based on 17 interviews, primarily with FFs, conducted in February and March 2023. Depending on availability, interviews were conducted with either the CEO or CFO of the company. In one case, a group interview was conducted with the CEO/Owner of the company, the head of finance, and the head of acquisition. I approached the respondents via different channels. The respondents of FFs were out of my network or had a broader connection to my network. The banks I considered for my interviews are directly or indirectly connected to the firms I interviewed. I focused on interviewing the executive level of firms, which are typically involved in funding decisions and take part in credit negotiations with banks. The firms I interviewed were selected based on the characteristics of a FF in **Chapter 2.1.1**. However, I did not distinguish which generation the company is in but ensured that the criteria of FFs, which are decisive, are fulfilled. **Table 2** summarises all interviews held with FFs and banks.

Furthermore, no specific industry was selected. This is to further pursue the thesis's exploratory approach to, investigate opinions and behaviours independent of the industry sector, and gain generalisable data. In addition to the characteristics of FFs, the companies were selected to vary in their size further providing generalisable data. I relied on the number of employees as well as the revenue of each firm based on the latest available information. **Chapter 2.3.1** emphasises that mid-sized firms primarily rely on debt as a funding source. This enabled to choose firms with the highest probability of using loans from banks and therefore involved in bank negotiations. Since the thesis attempts to relate the subjective assessment of FFs to qualitative credit rating factors and their behaviour during negotiations, the focus relied on the firms assuming a higher degree of heterogeneity among the companies. As house banks can be identified as the primary financing instrument, banks focusing on financing the SME market were chosen. In total, six bank respondents from five different banks were interviewed. Care was taken to interview those bank advisors who deal with business customers. To ensure transparency in the quality of the statements, senior bank levels interview partners were chosen due to their involvement in credit ratings. Moreover, the total asset is a typical measurement to differentiate banks, so I interviewed larger and smaller banks. To expand the quality of the research, a Swiss bank was additionally interviewed. This allowed me to investigate whether there are differences in how FFs are rated in German-speaking countries. However, the number of banks interviewed is lower than the number of interviews conducted with firms, as an early homogeneity in the qualitative factors and perceived behaviours were identified. As there is no comparable research in this field, I used semi-structured interviews to allow open questions to retrieve as much information and insights as possible. All interviewees were granted discretion to "give voice to the informants" (Gioia et al., 2013, p. 17), which creates the opportunity to "discover new concepts" (Gioia et al., 2013, p.17). Due to the geographical separation of all interviewees, I conducted the interviews online using platforms such as Microsoft Teams and Zoom. The interviews took between 45 and 60 minutes and were recorded with the consent of the participants. As I interviewed only companies located in Germany and spoke to German bank advisors, the interviews were held in German. For analysis purposes, the interviews were transcripted ex-post.

3.3. Interview Guidelines

As the research field is particular and may needed preparation by the respondents, all interview respondents received the questionnaire in advance to (1) identify if asymmetries regarding qualitative factors in credit ratings between the bank and FFs exist and (2) to research how actors, in this case, company representatives, behave and how the target (bank) react, two different interview questionnaires were constructed ex-ante (see Appendix C1 and C2). Both questionnaires were separated into two blocks to allow for a fluent interview. However, the order of questions was not strictly followed. In respect to the character of my study and in the sense of "giving voice to the informants" (Gioia et al., 2013, p.17), it seemed more feasible to let the interviewees answer the questions unconstrainedly. The first block focused on questions related to qualitative credit rating factors, their measurement and influencing aspects. The respondents of FFs were asked their opinion on this topic, as banks choose the used qualitative factors. The questionnaire started with more general questions about qualitative credit ratings before trying to generate answers related to the characteristics of FFs and how these might affect or be reflected within ratings. Most questions included these characteristics to differentiate from NFFs. As a semi-structured interview, however, differences between family and NFFs were asked directly, if applicable to the interviewee and their professional background.

Even if the questions were developed ex-ante, the focus of the interviews changed within the interview process depending on the interviewee, which is in line with Gioia et al. (2013). Furthermore, the first block and questions were designed so that, in addition to asking about qualitative factors, they also facilitate the introduction and transition to the actual credit negotiations. While the second block comprised the focal point for this thesis, and the open question approach received attention, in-depth and detailed questions related to

Table 2: Overview of interview respondents

Family Firm	Position	Industry Sector	Revenue in 2022[a] (in M. EUR)	Number of Employees[a]
Company 1	CEO/Co-Owner Chairman/Owner	Hospitality	∼ 130	∼ 1800
Company 2	CEO/Owner	Manufacturing	∼ 5	∼ 30
Company 3	CEO/Owner	Industrial	∼ 150	∼ 160
Company 4	Chairman of the Supervisory Board	Production/ Distribution	∼ 3.200	∼ 14.000
Company 5[b]	CEO/Owner; Head of Finance; Head of Acquisition	Automotive	∼ 240	∼ 600
Company 6	Former CEO	Publisher	∼ 598	∼ 2.153
Company 7	CEO/Owner	Furniture	∼ 17	∼ 100
Company 8	CFO	Construction	∼ 400	∼ 550
Company 9	CEO/Owner CFO	Facility/Security	∼ 135	∼ 3.000
Bank	**Position**	**Type of Bank**	**Total Assets in 2022[c] (in B. EUR)**	
Bank 1	Senior Advisor	Credit Union	∼ 6	
Bank 2	Head of Corporate Accounts	Credit Union	∼ 10	
Bank 3	Former Member of the Board Financial Engineering Specialist	Universal Bank	∼ 470	
Bank 4[d]	Head of Corporate Banking	Universal Bank	∼ 50	
Bank 5	Director Corporate Clients	Cooperative Bank	∼ 670	

[a]Information received from respondents
[b]Group discussion with more than one respondent
[c]Information was retrieved from the web page
[d]Swiss Bank

behaviours were constructed. Notably, the entire questionnaire did not include the term IM; instead, to grant openness, the questions were reformulated to maintain the IM focus. This minimised the risk of priming and interviewees needing to know about the concept. The same approach was used for the questionnaire with banks (see Appendix C2). As mentioned, the questionnaire was adapted while maintaining the core to identify which qualitative factors are relevant and which behaviours are observed in credit negotiations. As banks are the target of potential IM tactics, the questions were designed to identify how the behaviour of FFs is perceived. Identical to the questionnaire with firms, the second block contained detailed questions about which behaviours are dominant and how these might impact the qualitative credit rating. The focus is mainly to ask questions about how banks ensure that the behaviour and form of a presentation hold credibility and actuality. This divulged perceptions to what degree FFs use IM and how this approach can lead to leveraging the overall credit score.

3.4. Data Analysis

To answer this thesis research question and analyse the collected qualitative data from semi-structured interviews, I used the qualitative research methodology of Gioia et al. (2013). The methodology follows an interpretive approach, first to capture the meaning of the interview responses and experiences adequately and second adequately theorising about that experience (Gioia et al., 2013). This interpretive approach is in line with my exploratory research to identify (1) symmetries or asymmetries of qualitative credit rating factors and (2) identify and describe IM tactics used to leverage credit ratings. The Gioia method is intended to build grounded theory. However, it describes specific approaches to developing new concepts in rigorous inductive research. More precisely, this approach consists of four main steps: (1) use conducted interviews as database, (2) coding and analysing transcripts to create first-order themes, (3) refining these themes into second-order themes which purify into a few dimensions, (4) visualising and structuring of the data (Gioia et al., 2013). All 17 transcripts were uploaded into the qualitative data analysis software MAXQDA. With an inductive approach, I openly coded the interview transcripts to follow the first-order analysis, whereby in the first-order analysis, I tried to "adhere faithfully to informant terms" (Gioia et al., 2013, p.20). The initial coding of the interview respondents resulted in 481 codes. To find symmetries and tendencies, I exported all codes from the software MAXQDA to Microsoft Excel. It allowed me to visualise which codes I have used most often and to better understand which aspects to focus on in generating categories. Gioia et al. (2013) stated that these codes must be analysed to create first-order themes. After generating these first-order themes, Gioia et al. (2013) state that a second level of granularity is needed. In this specific step, qualitative researchers highlight the importance of considering oneself as the "knowledgeable agent" to answer the rather flippantly formulated question of "What´s going on here?" (Gioia et al., 2013, p.20). Following the development of second-order themes, the methodology calls for a third and last refinement of categories to generate aggregated dimensions. To improve rigor in the entire methodological analysis, I additionally used the active categorisation framework by Grodal et al. (2020). This framework considers eight moves which can be used in three main stages: "*generating initial categories*, *refining tentative categories*, and *stabilising categories*" (Grodal et al., 2020, p. 11).

Generating initial categories refers to engaging with the collected and coded data. I used to "focus on puzzles" (Grodal et al., 2020, p. 14) to identify the most surprising or salient informant terms. As not all information is equally essential for categorising, I distilled them for my thesis's most relevant responses. As category formation is crucial in my analysis, salience allowed me to focus on unique and novel aspects. In research this is often called "unusual cases", which according to Grodal et al. (2020), highlight the importance in the theorising process. Furthermore, I used these puzzles to seize new insights from prior theories and IM contexts to find discrepancies in the light of my researched credit rating context.

Refining tentative categories is a stage by Grodal et al. (2020) to analyse further and refine the initial categories. In a broader sense, this is by either category reduction or enrichment. While analysing my coded categories, I either dropped, merged, split, contrasted, or sequenced categories to generate more distilled categories. These steps helped to generate overarching categories. While dropping and merging categories reduced my categories, I split categories when I recognised that a category contained more than one nuance which needed separate lone-standing categories. As categories were created in parallel and not independently, relating and contrasting allows for identifying relationships and moving them closer or becoming more distant. Sequencing emphasises that categories in a methodological step are non-static objects (Grodal et al., 2020). Therefore, sequencing allows to move and organise the categories temporarily. The use of different moves not only distils the identified categories, however, is also, according to Grodal et al. (2020), important in theory building to identify which categories function as mechanisms and which as concepts.

Stabilising categories is a methodological step by Grodal et al. (2020) to further enhance rigor in qualitative research. Creating a "theoretical scaffold" (Grodal et al., 2020, p.29) examines the data to determine whether it supports the theoretical conclusions. I reviewed my created categories to elaborate if all relevant informant terms are reflected in my categories. To ensure rigor, I weighted my categories as being relevant, qualified, neutral or contrasting to verify the data leading to emerged categories to discard those categories that no longer fit. While following these steps, I constantly tried to build categories which contained FFs specifics. This ensured that relevant information regarding FFs was incorporated into my analysis. Since the core of this analysis deals with two essential components, which represent the qualitative factors of a credit rating on the one hand and the behaviour of FF representatives on the other, the categories were chosen in such a way that the qualitative factors most frequently used by banks were integrated. This enabled to examine and illustrate the connection between the two aspects and to develop a final coding tree.

4. Emergent Findings

In the systematic evaluation of the data retrieved from the 17 interviews I identified overlaps in the views of the representatives of FFs and banks on the rating factors important in a qualitative credit rating. Two essential aspects could be identified by comparing the statements. Essential aspects which have been mentioned for a qualitative credit rating are the stability of the company and the people acting on its behalf. These streams build the basic aspects banks assess to identify the potential risk while granting a loan to a firm. In addition to elaborating on these building blocks, I identified IM tactics that can be used by FFs to influence these aspects of a qualitative credit rating and potentially positively leverage bank's assessments. It should be noted that these tactics are primarily divided into family-specific, business-specific, and relationship-specific IM approaches. For this reason, the coding tree shown in **Figure 2** relates the aspects of the stability of the business and the acting persons to the IM tactics. Furthermore, I found differences in the specific characteristics of FFs and other business forms, which influence the approach of IM applied in credit ratings.

4.1. Family-Specific Impression Management

First, I found, typical for FFs characteristics that are associated with IM tactics for leveraging qualitative credit ratings. The family-specific factors were identified based on the recurring importance of the family in the statements of the interview respondents. Following, in this specific case the pertinence of the family leads to IM tactics incorporating this aspect. Besides, the appearance of the family and their image as well as internal family dynamics represent approaches for IM, which FFs can use in credit ratings to potentially leverage the credit rating.

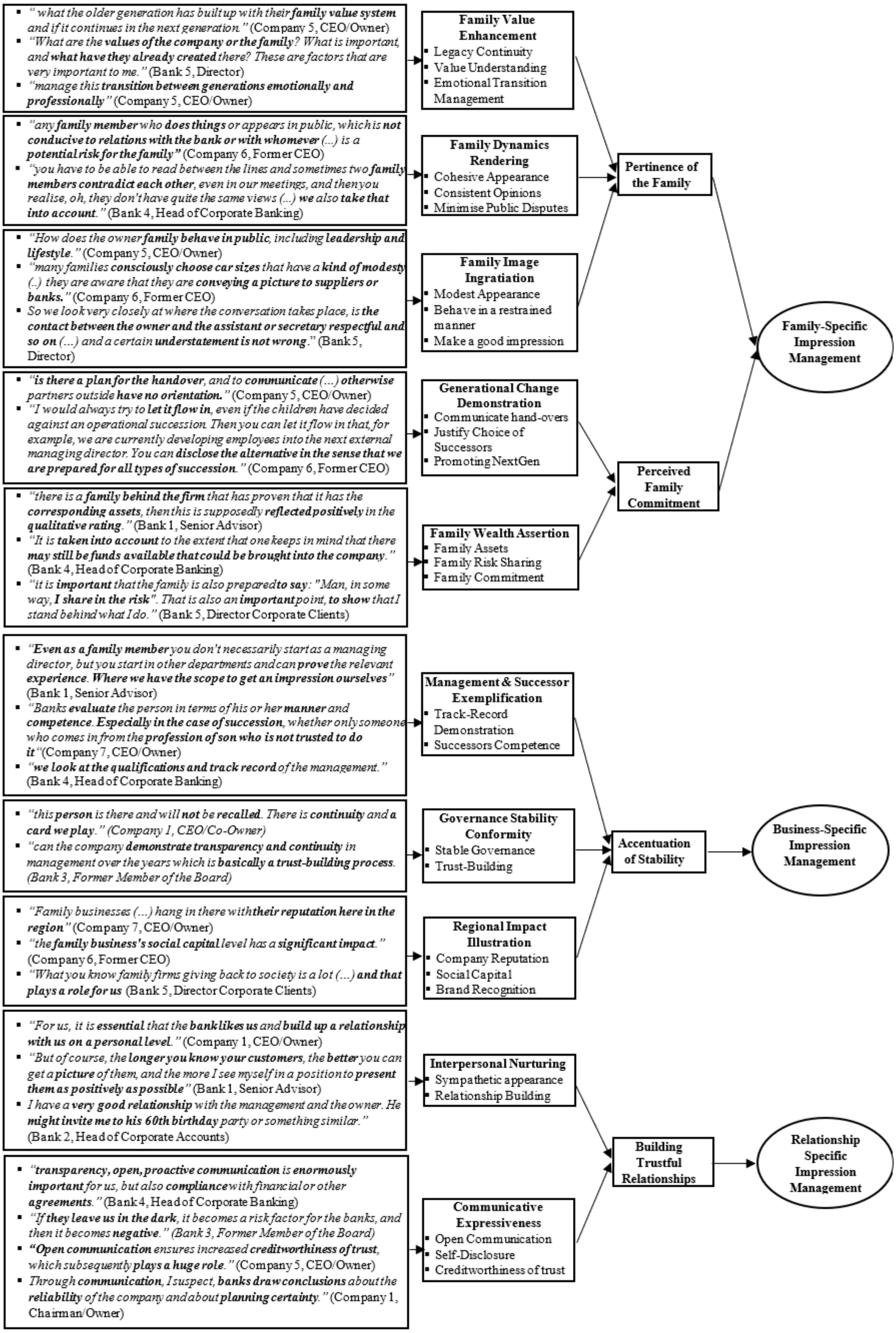

Figure 2: Coding tree of the interview analysis (Own Illustration)

4.1.1. Pertinence of the Family

I found that the peculiarities of FFs, are reflected in qualitative credit ratings by banks and especially regarding the acting persons within the firm. As a FF is characterised to be predominantly in family ownership or control, the interview respondents of the firms are aware that they are closely affiliated with the firm itself. This affiliation is evident and of importance in the business context of credit ratings and how FFs should portray themselves to banks. One respondent of a FF highlighted this significance: *"So generally it is not separated. The family is always part of the company, even if it is not operationally active. It always plays a role in the relationship with the bank."* (Company 6, Former CEO). Therefore, the family itself is mentioned to be of importance and furthermore highlight the relevance of the families in credit negotiations. Moreover, I observe the emphasis and focus on the family in conversations with banks as one respondent stated: "*We essentially have two owner families and of course we have a much, much greater focus on the owners"* (Company 8, CFO). He highlights, that in negotiations with banks, the focus is especially on the owner's family and accompanies the firm's presentation. The pertinence of the family in credit negotiations represents an overarching aspect which needs to be considered and examined while identifying potential IM tactics used by FFs in the business context of credit ratings.

Family Value Enhancement

I identified a clear tendency towards the importance of the family within and behind the company. The perceived importance of the family is based on the results of comparing relevant aspects in credit ratings for banks and FFs. It became apparent that a company, especially a FF, is characterised by its identity related to its cross-generational family values. This has been argued by the owner and CEO of Company 5, stating:

> *"And of course they look closely at whether what the parents have built up with their family value system will continue or whether it will change in the next generation. In this respect, I think that in the case of family firms or small and medium-sized enterprises, the focus is also on us personally as a family and how our decisions are made."*

This states that the values of the company and, thus, also of the family play an important role and whether these values are consistent over generations. This perception holds similarities in terms of banks. The director of corporate clients of one of the leading German banks elaborated on the aspect of family values and legacy continuity and the importance for him by stating:

> *"What are the values of the company or the family? Where do they stand behind? What is important to them, and what have they already created there? These are factors that are very important to me."*
> (Bank 5, Director Corporate Clients)

Other interview partners also emphasised the closeness between the family and the company (Company 1, Company 3). So has it been exemplarily emphasised in the following: "*To demonstrate what we stand for as a family of entrepreneurs, in terms of our vision and values*" (Company 1, CEO/Co-Owner). As FFs can also be externally managed, it is also worth mentioning that the connection to family values is given similar attention by banks in the case of externally managed FFs. A former CEO of a renowned German publisher implicitly points to an even more important role of the connection to family values by saying:

> *"The length of the relationship with the company is of great relevance, regardless of whether the persons involved are family managers or third-party managers. (. . .). I have to convince people that I stand for the values, the culture and the future vision of the company and the family. I [as external manager] must be a bit more convincing than the person who perhaps has the right surname."*
> (Company 6, Former CEO)

Besides, I found that navigating the transition of the company's family values not only plays an internal role but is also reviewed in the qualitative evaluation of banks. Furthermore, the findings highlighted that family values are associated with a type of legacy continuity that is also an important criterion for externally managed FFs and that family values are used as an enhancement within the qualitative credit rating. Although FFs can vary greatly in size, the aspect of legacy continuity and the passing on of family values to the next generation is evident in different sizes of businesses. This is illustrated by the statement of the CEO of Company 2, who emphasised the importance of values also in small firms: *"I think especially for us as a smaller family business that [passing on family values] is also very important because our customers with whom we do business know us and maybe like us because of that"* (Company 2, CEO). The navigation of the company's transition regarding family values over generations and highlighting the relevance of this aspect for FFs and banks is supported by a respondent expressing: "*but also what does the senior give the junior along? So maybe this is not so explicit in the rating, but simply to see whether they stay true to themselves or whether the new generation goes somewhere completely different."* (Bank 1, Senior Advisor). This statement illustrates that the representation of family values and continuity across generations can also play a role outside the actual rating. So even if not directly questioned in the evaluation and corresponding credit rating, it grants insights to banks into whether the family legacy continues in generational changes. This might be often the case in FFs particularly, caused by their governance structure. To present stability in the family's values to the bank, one interviewee again refers to the need to make this emotional and professional transition (Company 6, CEO/Owner). Furthermore, the values of the firm and family have an internal and external impact and radiate outwards, according to the CFO of Company 9: "*That is a sign to outsiders of how I treat the staff. What is the culture like internally and externally? So can the character of the company send a positive signal to the outsiders?"*. The results, therefore, highlighted not only the values that are aligned to the FFs' corporate culture, which the family embodies and, according to the respondent, are very well perceived by banks and might impact qualitative credit ratings. Following the IM tactic family value enhancement was retrieved and developed.

Family Dynamics Rendering

Next, the external perception of the family represents another aspect in evaluating FFs in credit ratings. A cohesive appearance of the family can be achieved by passing on the values within the family and, thus, also within the business. This became particularly clear concerning loan negotiations, as the banks take the dynamics between the acting persons to indicate whether the managers present unified opinions when evaluating the companies. The importance of this aspect was illustrated by the statement of a banker: "*you have to be able to read between the lines, and sometimes two family members contradict each other, even in our meetings, and then you realise, oh, they don't have quite the same views (...) we also take that into account.*" (Bank 4, Head of Corporate Banking). Besides, another interview respondent supports the argument of "*reading between the lines*", by referring to his experience in bank meetings and mentioning possible aspects which draw assumptions about the dynamics within a family and between generations.

> "*If I only experience them as assessors, as the next generation, and the senior person is always telling and doing, then I don't know whether the junior person is already being let into the role or is already in the role himself. Also, what parts of the conversation does he perhaps have, how valuable are they in terms of content, or does he just repeat what has already been said?"* (Bank 2, Head of Corporate Accounts)

Therefore, a cohesive appearance and control of family dynamics is a criterion particularly evident in FFs. Cohesiveness is important to demonstrate to the banks a family unity in decisions on various aspects. This was confirmed in several interviews and exemplified in the following statement: "*Especially the banks, which come back repeatedly and observe exactly what happens at meetings. So, whether we agree or not. And there's no denying that a family should always agree on important issues like financing, or at least behave that way"* (Company 5, CEO / Owner). The phrase "*behave that way*" demonstrated that FFs tend to be aware of their appearance and the impression they give in bank meetings, as well as in other situations and potentially render the family dynamics in a form which is in line with their audience. Another respondent gave cohesiveness an even more intense meaning by saying: "*Assuming there were two generations, and they didn't have the same orientation, then I personally would never go into a bank meeting at all*" (Company 6, Former CEO). Within my findings, I elaborated on the importance of the family's cohesive appearance towards outsiders. None of the interviews revealed an entirely different view on this subject. Even though the statement of "*at least presenting oneself in this way*" and the other statement of "*never going to a bank meeting"* in case of disagreements differ in their views on how to render the family dynamics, a basic view of the relevance is apparent. The banker's statement, which refers to the observation and evaluation of dynamics, confirmed the negative impact of incohesive family dynamics. In addition to this aspect, the owner of Company 3 made the general point that intra-family discord is never beneficial for the effectiveness of the company and the perception of any stakeholders:

> "*Because there are often disagreements, for example, investment decisions are delayed because the aunt and uncle do not agree. Of course, this can have a negative impact and be perceived by stakeholders, which banks are too*." (Company 3, Owner and CEO)

The disagreements arising in FFs, using the example of uncles and aunts, can support the finding that minimising the dynamics within the family has a positive impact for FFs in negotiations with banks. This approach makes it possible to minimise the potential risks arising from the family's appearance. This applies not only to interactions with banks but also to other situations. For example, the explanation "*any family member who does things or appears in public, which is not conducive to relations with the bank or with whomever (...) is a potential risk for the family*" (Company 6, Former CEO) clarifies that appearance and behaviour can also play a decisive role outside the bank meeting. This strengthend the finding that the connection between family and their firm is an elementary aspect that FFs should consider when engaging with banks. Furthermore, it represents the overall pertinence of the family. Family dynamics often play a role in FFs and can influence the firm's and the bank's relationship. According to the respondent, the influence on the relationship is based on the rather reserved way family business owners deal with internal disagreements. He elaborates on this as follows: "*Then there's rivalry in the family, the company doesn't want to disclose. Then there are shareholder rivalries that don't want to be disclosed either. In other words, there is tension between what the bank wants to know and what the owner wants to disclose*" (Bank 3, Former Chairman of the Board). Derived, I created the family-specific IM tactic *family dynamics rendering* presenting the second tactic associated with FFs in credit ratings which can potentially leverage credit scores.

Family Image Ingratiation

The chapter 4.1.1.1 and 4.1.1.2 are closely linked to the image of the family, which both banks and FFs have affirmed. Family values, continuity of legacy, but also the cross-generational preservation of corporate culture can build the image that FFs convey to the external audience. Thus, in addition to the actual behaviour, I found that the family's appearance in public or bank negotiations is an aspect of the assessment in credit negotiations. As with family dynamics, this has a limited connection with the actual qualitative credit rating but is mirrored in the perception of the bank advisors, who perform subjective evaluations in qualitative credit ratings. The image of the family presented to external parties, and its effect is exemplified in the interview response: "*many families consciously choose car sizes that have a kind of modesty (..) they are aware that they are conveying a picture to suppliers or banks*" (Company 6, Former CEO).

Using the example of car choice and stating "*consciously*" and "*modesty*" undermined the awareness of families being in the focal point and their representative role for the firm itself. This aligns with the beforementioned closeness between the owner family and the firm. Further, an associated response highlighting leadership and lifestyle to be perceived by others emphasised the interplay between FF representatives' private and professional lives (Company 5, CEO / Owner). In addition to the public appearance that shapes the family's image, the leadership style also influences the perception of banks. This opinion is reflected in a response from a banker that expressed: "*So we look very closely at where the conversation takes place, is the contact between the owner and the assistant or secretary respectful and so on (. . .) and a certain understatement is not wrong*" (Bank 5, Director Corporate Clients). The detailed observations of the bank managers in the conversations with the family presented above showed that various aspects are recognisable that enable the bankers to judge the family better. Further, stating that "*understatement*" is perceived as positive by banks regarding the appearance relates to the described modesty families should present in public. The findings in the interview statements showed a differentiation between general possession behaviours, such as the choice of the car, and behaviour-dependent image criteria. These differences show the importance of family image in credit negotiations and substantiate that these are primary factors induced by family activities. The specificity of these aspects for FFs is subject to the association and anchoring between the family and the firm. This connection is influenced, among other things, by the strong perception of FFs in the region, as expressed by the CFO of Company 9: "*When you are in the public eye, also socially, (...) especially if you are a regionally positioned company, it is all seen.*".

However, there is also a contrary view, which emphasised that owner families should not generally trim their appearance to be grounded in order to portray a certain image. As an interview partner expressed:

> "*So appearance always has an effect, whether you want it to or not, and I try to judge neutrally (...) and if the professionalism and performance of the entrepreneur is guaranteed, I don't care if he comes very smartly in a suit and whether he rides up on a bicycle or in an expensive car, I honestly don't care at all*" (Bank 3, Financial Engineering Specialist)

4.1.2. Perceived Family Commitment

In addition to the pertinence of the family and the identified areas in which the family gains importance in qualitative ratings, it was possible to elaborate the family's commitment to the firm through the analysis of the interview responses. This is related to the previously described family association with the firm but represents a category on its own. The family's commitment to the company could be divided into two main areas. These can be differentiated into financial and personal commitment and describe further typical family characteristics to be considered in the context of qualitative credit ratings.

Generational Change Demonstration

In the interviews with representatives of FFs and banks, succession in the firm was a recurring theme. The importance of succession in FFs, irrespective of the recurring mentioning in the interviews, is reflected in the fact that it is a designated question in qualitative credit ratings. All interviewees emphasised the relevance of the next generation (NextGen). This was explicitly described as essential by the interviewees on the banking side and reported that it is asked about as a "soft" factor in qualitative credit ratings (Bank 1, Senior Advisor). Therefore, the importance of generational change in FFs and related factors are examined in more detail. It should be noted that the aspect of succession has a certain significance in every type of organisation but is explicitly a predominant topic in FFs, even outside of the context of ratings, so the results found can be classified as family-specific. Succession arrangements serve to stabilise the business and ensure its long-term orientation. The aspect of stability is found, for instance, in the following comment:

> "*Another very important thing is the issue of succession planning. I would say, ultimately, [it is] a topic for family businesses and less for large group structures where it is not so relevant. Because I would say that when the managing director retires, a new manager is advertised, and then ultimately, this succession regulation is not as relevant as in the family sector. And that is also a very important aspect for us, if the entrepreneur has regulated his succession, as on the one hand in the sense of if something happens, the company is still able to act, and on the other hand, it is just so that if he retires due to age, that the company can then also continue to exist*" (Bank 1, Senior Advisor)

Even if this statement is based on a placative formulation, the importance of succession planning, and the succeeding generation becomes significant. In the context of the succession, I repeatedly observed in the interviews that it is not only a matter of establishing a succession arrangement, but also a matter of communicating it to the bank and signalling out the successor with regard to the integration into the company and the clear change of management. The first aspect of communicating the generational changes in FFs is closely linked to the conversations with banks. The communication of generational change allows to give orientation to business partners argued by the CEO/ Owner of Company 5: "*is there a plan for the handover, and to communicate (...) otherwise partners outside have no orientation*". Further, proactive communication improves the comprehension of the current and planned governance situation in FFs. Even if the credit rating is a "*financial, mathematical tool to determine the one-year probability of default*" (Bank 1, Senior Advisor), and whether an appropriate succession is established within the family is answered without "*a continuous text but rather yes, or no*" (Bank 1, Senior Advisor), granting insights is still favourable. The representation of the NextGen, irrespective of whether it is a family-internal succession, is addressed in the exchange with banks. As one interview partner noted:

> "*I would always try to let it flow in, even if the children have decided against an operational succession. Then you can let it flow in that, for example, we are currently developing employees into the next external managing director. You can disclose the alternative in the sense that we are prepared for all types of succession*" (Company 6, Former CEO)

By saying to be "*prepared for all types of succession*", I could see the importance of demonstrating generational change in my results. Promoting the NextGen enables placing the successors and assuming management responsibility (Company 8, CFO). Besides the communication, the integration of the successors into the business in an early stage was highlighted in an interview response which directly related to bank meetings. The head of acquisition for Company 5 reported that: "*Banks have also really made it clear that it is important to them to clarify the new generation and the succession at an early stage and then also to actively involve them in the bank meetings*", aligning both communication and integration of NextGens to demonstrate how the FF is planning its generational change. Although the finding of the interview with the banker shows a polar question regarding succession planning, the statement: "*But in particular, these are, of course soft factors where we have a certain degree of leeway in the sense that we can make up our own minds about them*" (Bank 1, Senior Advisor), points out to possible levers FFs can use regarding the demonstration of the NextGen.

Next, the interviews with both parties mentioned the importance of clear leadership handovers in FFs. This was already indicated in the statement quoted above about communicating the handover. However, a formulated handover between generations was explained further in the interview statements. For example, one of the bank's interviewees explained the necessity of this clear handover as follows: "*and then it is also important that you can make a hard cut, in my opinion, and that the senior does not still think he can bring in all his ideas; well, of course, he can bring in ideas, but clearly, someone has to wear the hat*" (Bank 3, Specialist Financial Engineering). Moreover, the implied generational change and the precise formulation of who has control after a generational change are also reflected in another statement. "*Because if you start to intercede too much or talk in between, you have lost the trust in the new generation*", states the CFO of Company 9 and equates the clear handover with a justification of the chosen successor and the representation of trust in the NextGen. He additionally emphasised the trust in the successors by stating: "*I will put the Marshall's baton in your knapsack, but you will have to unpack it yourself*", an adaption of "the baton in the knapsack" quote anchored in the Napoleonic era meaning to aspire to fulfil the highest rank. The anecdote illustrated, however, that the NextGen must be trusted to take over the management of the family business independently and that a baton handover is taking place. The baton's handover and the successor's integration are closely linked. The internal coordination of who should take on the role of successor and the handover that then takes place were addressed in the interview statements. The timely integration and "letting go" of the older generation were clarified by a suitable example of an interviewee who spoke about his experience with an entrepreneur's son, whereby internal disadvantages due to unresolved handover regulations with effects on the family also became apparent.

> "*I once had a businessman's son with us who spoke of himself as Prince Charles, and that shows the analogy. In principle, he has already given up on himself, and then, of course, it becomes highly risky for a company.*" (Company 5, CEO/Owner)

An extreme case in which the importance of the family's commitment to succession for the bank, came up in an example when a loan was granted on the premises that the son joined the firm of his parents. This further exemplified the importance of arranging succession at an early stage. In addition, the interviewee pointed out possible tensions in connection with an unplanned succession arrangement by adding: "*and that was not funny for the son and for the parents*" (Company 6, Former CEO). So by appropriate *generational change demonstration,* being a retrieved IM tactic, FFs can improve the perceptions of banks in terms of stability.

Family Wealth Assertion

Next to family commitment, the qualitative credit rating increasingly considered the family's financial commitment to its firm. This result differentiates FFs once again from other types of companies. For example, an interviewee from a bank confirmed the actual question asked in the qualitative rating about the family's financial situation.

> "*Some questions only apply to family businesses. The question that is probably of particular interest is: how is the wealth situation of the shareholders*

assessed? And that is, for example, the particular issue for family businesses." (Bank 1, Senior Advisor)

In addition to the valuation of family wealth, however, the family's financial support of the business generally plays a role. Very specifically for FFs, an interview respondent from a bank perspective said the following: "*Some say about family entrepreneurs that they are prepared to invest everything possible to keep their life's work alive, so to speak*" (Bank 3, Specialist Financial Engineering). This result and the bankers' opinion also reflect the families' commitment to their businesses. However, while the previously mentioned factors of the qualitative rating are based on observations of the family in the bank interviews and on the positioning of the company itself, another result becomes tangible through the inclusion of family wealth. Even though the family's private wealth stands separate from the value and assets of the business, a rating emerges in the interview results concerning the FFs' willingness to take risks. For example, one banker described that it is important to keep in mind that there are potential family assets that can be brought into the business (Bank 4, Head of Corporate Banking). Another statement in a similar vein indicated that it can positively affect the qualitative credit rating if there is a family with corresponding assets behind the firm (Bank 1, Senior Advisor). In contrast, a banker stated that it is particularly important for the family to be actively prepared to accept risk sharing. He illustrated this as follows: "*it is important that the family is also prepared to say: "Man, in some way, I share in the risk". That is also an important point to show that I stand behind what I do*" (Bank 5, Director Corporate Clients). The distribution of risk found in the statement, which is part of the evaluation of FFs in terms of family involvement, could also be found in a description of a negotiation by one entrepreneur: "*And then, in the very next sentence, they want to know if you are prepared to take a risk like a bank.*" (Company 7, CEO/Owner). Regarding the willingness of family entrepreneurs to take risks and the expressed preparedness of family entrepreneurs to also be liable with their private assets is seen in a contrary manner by a banker. He made explicit, for example, that he must pay attention to a balance between risk and management in the credit assessment's weighting family wealth. He adds to this with the remark: "*I would not see that the family entrepreneur is becoming more courageous and, for example, putting his own wealth at risk*" (Bank 3, Former Member of the Board). Nevertheless, the aspect of family wealth is mainly found in the bankers' statements.

To a lesser extent, these results were found in the statements of FFs, which nevertheless indicated the meaningfulness and significance of this "soft" factor in the qualitative credit rating. Thus, in the results, I identified the assertion of family wealth based on the statements of the interview partners as a reasonable approach for IM used by FFs in qualitative credit ratings.

4.2. Business-Specific Impression Management

During the evaluation of the interviews, the accentuation of stability through approaches as the exemplification of the management quality, governance stability and the business regional impact were found in addition to the family-related factors that potentially find IM applicability to leverage qualitative credit ratings. The subdivision into business-specific IM approaches in credit ratings is since these are attributed to the firm itself. Even though FFs differ from other business forms primarily in their control and ownership characteristics, they are universally rated like other businesses apart from the family-specific factors. Highlighted in the response: "*But I wouldn't separate the requirements or approaches that much, except for the characteristics of family businesses*" (Bank 2, Head of Corporate Accounts). Therefore, the following core statements were elaborated on in the interviews, representing further approaches regarding IM in credit ratings. Even though the responses explicitly refer to FFs, they reflect more generalisable and universally valid findings.

4.2.1. Accentuation of Stability

The credit rating reflects the POD of companies and serves to assess the likelihood that companies will not be able to meet their financial obligations to the bank. One indicator of this POD is the stability of the company itself. I identified three pillars, which represent aspects a bank reviews to assess the firms stability. Firms can accentuate stability by means of exemplification of their management, stability in their governance and illustrating their the regional anchoring of the company. Those IM tactics are elaborated separately in the following sections.

Management and Successor Exemplification

The quality of management was one of the most frequently mentioned qualitative factors from both the bank and the firms. Highlighting the quality and professionalism of management is thus the first aspect mentioned in connection with non-family specific factors. This "soft" factor in qualitative credit ratings is people-related and is considered very important by the banks to assess the company's stability better. For example, one bank advisor affirmed: "*Personally, I find the quality of the management to be the decisive assessment because that is the most important thing from my point of view*" (Bank 1, Senior Advisor). In the results of the interviews with the FFs, the quality of the management was mentioned several times as an assumed factor in the rating (Company 2, Company 4, Company 8). For example, the CEO and Co-Owner of Company 1 stated: "*So first and foremost certainly the quality of the people they do business with. That is, how successful have we been? How did we also implement our promises and successfully manage past activities?*". The quality of management can be assessed based on previous successes, qualifications, and experience: "*How was the management in the past? How did it manage crises in the past? Some kind of track record to look at*" (Bank 3, Former Member of the Board). But also, in the case of successors, increasing attention is being paid to the qualifications and quality of the management. Even if succession planning proves to be less critical in NFFs, the quality of the successor can nevertheless be attributed to both forms of business. To better grasp the quality of successors in FFs, the statement of a banker described the following: "*Even as a family member, you don't necessarily start as a managing director, but you start in other departments and can prove the relevant experience. Where we have the scope to get an impression ourselves*" (Bank 1, Senior Advisor).

Highlighted is the track record, which is seen as significant by the bank and is an aspect that plays a role in qualitative credit ratings and can be exemplified by FFs. However, the statement in one interview: "*It does not matter if it is a family business or not, that they look at the professionalism and quality of the management*" (Company 1, Chairman, and Owner), also shows the non-specificity of this aspect in relation to FFs. Nevertheless, it is apparent in the context of FFs that management competence is seen across generations. It can be deduced from this that, in addition to family membership, competence must also be considered when selecting successors. Since, as already indicated, it is a matter of assessing the company's stability, maintaining quality at the management level is essential. This opinion is held by the CEO/Owner of Company 7 and clarified in the statement: "*Banks evaluate the person in terms of his or her manner and competence. Especially in the case of succession, whether only someone who comes in from the profession of a son who is not trusted to do it*". However, it should also be emphasised that the competence of the successors is built up through experience in the company and creates a derived trust. FFs can thus pass on the quality of their management and the associated trust to the NextGen. One banker described this as a "*leap of faith*" that family members can earn through the continuity of the firm over history and refers to this as: "*that they have stood the test of time, that certainly makes a lot of difference and is also an advantage of family businesses from the banks' point of view*" (Bank 3, Former Member of the Board). In the results of the interview statements, a general tendency to exemplify the quality of the management and the successors could be identified, leading to the IM tactic of *management and successor exemplification*. The repetition of statements on the quality of management in the interviews was intuitively obvious. However, the individual statements provide clarification regarding the relevance of this aspect and possibilities for IM to find application.

Governance Stability Conformity

The derivation of the stability of a company from its governance was also recognisable in the interviews. This is closely related to the mentioned aspect of management and successor exemplification, as this result also links to the people acting on the firm's behalf. Since, as already indicated, bankers need to get a sense of the company to better assess stability and the associated POD, governance is another approach to consider. For example, one banker stated that when assessing the company in the qualitative part of the rating, the company's organisational chart is looked at first, and the past changes at the management level. The continuity and stability of the management is of particular importance as an interview expressed: "*The question is whether there have been two managing directors in the last three years or three, so there has been constant change, or whether there is continuity in the management, which is certainly an important factor.*" (Bank 2, Head of Corporates). From this finding, it can be deduced that companies should strive for conformity about the long-term nature of management. This is also a business-specific aspect but one that FFs can take advantage of due to their long-term orientation. This becomes evident in the statement of a Co-Owner who points to the continuity of management in FFs and reinforces the use of this potential advantage by stating: "*there is continuity and a card we play*" (Company 1, CEO and Co-Owner)

In a further finding, a banker supported the owner's previous statement of actively using continuity by pointing to the trust associated with continuity, which he puts as follows: "*Can the company demonstrate transparency and continuity in governance over the years, which is basically a trust-building process*" (Bank 3, Former Member of the Board). Based on these views, it can be perceived that companies, whether FF or not, should align their governance stability to be consistent with bankers' sentiments. Nonetheless, governance stability is an advantage for FFs, as a similar statement by an owner emphasised.

> "*That is inherent in the family, and it cannot be assumed that it [the firm] will be sold tomorrow. But it is also unlikely that the actors will leave the company tomorrow and go somewhere else. That can happen, of course, but I believe that it is simply less the case than in other forms of enterprise*."
> (Company 1, Chairman and Owner)

Regional Impact Illustration

Next, I found a factor and resulting IM tactic, that was less to be expected but was raised more frequently by the interview partners. The qualitative factor underlying this result is the influence of the company's reputation on the credit rating. However, it became apparent during the interviews that the company's reputation is more concerned with regional impact and anchoring. This aspect flows into the assessment of the stability of the company. This became evident, for example, in the interview with the CEO/Owner of a leading luxury furniture manufacturer. In the interview, he expressed that his reputation in the region was important in addition to his commitment as a family (Company 7, CEO/ Owner). He underlined this by adding: "*I stand here with my skin and hair and above all with my good name, which I then also burn here in the region*", which emphasised the importance of the reputation of a FF. This also applies to NFFs, but the business owner also stated that banks perceive this quite positively compared to, for example, an external manager: "*Who* *is paid now and if it does not work out, he leaves with a severance package*" (Company 7, CEO/Owner). Another interviewee's statement reinforced the anchoring in the region and the importance of the firm's name. She described it as the extent of the company's commitment to the region, referring to the scientific concept of social capital. She emphasised verbatim: "*So the level of social capital of the family business has a big impact*" (Company 6, Former CEO). Even though she associated the concept of social capital with FFs, the regional impact can also be transferred to NFFs and is therefore attributed to the finding of business-specific factors. However, the impression firms can make through social capital becomes explicit in the statement of a banker connecting this aspect to credit ratings. Thus, he affirmed: "*what you know about family firms giving back to society is quite a lot. I know some examples where I thought, oh, hats off, that's enormous what they achieve, and that, that plays a role for us*" (Bank 5, Director Corporate Clients).

Considering the regional impact or the regional commitment of the companies lends importance to this aspect. The illustration of companies' engagement can therefore be seen as a valuable IM approach within the context of qualitative credit ratings. To highlight the special nature of FFs despite the possible generalisation of the regional commitment of companies, I found the following statement in an interview: "*it is proven that family firms only cut jobs at the very end, when it is no longer possible, and are more likely to invest during the crisis. That is why they can scale up more quickly after a crisis. This is also a reputational factor that the banks definitely observe*" (Company 6, Former CEO).

4.3. Relationship-Specific Impression Management

4.3.1. Building Trustful Relationships

I found one central result that was emphasised and considered important by all almost all interview partners. Since the qualitative rating is a subjective assessment of the bank's corporate client advisor, the business relationship between the bank and the company was increasingly emphasised. The aspect of relationship building, as well as relationship nurturing, thus determines the final findings of the interviews. This result only described a qualitative factor to a limited extent but showed facets that impact a rating or credit granting. In addition to relationship building, communication is a further component of this result. Both aspects are examined in more detail to define a possible application of IM.

Interpersonal Nurturing

"*For us, it is essential that the bank likes us and build up a relationship with us on a personal level*" (Company 1, CEO and Co-Owner). This quote was one of many, emphasising the importance of a close business relationship between the firm and bank. Using the phrase "*on a personal level*", thus highlights the interpersonal relevance for firms while working with banks. Furthermore, the statement showed that the interview respondent is concerned about building this business relationship on a personal level by adding in a subordinate clause: "*This is an active thing we do*". This interest in relationship building is similarly reflected in the length of the business relationship. For example, many of the interviewed firms hold business relationships that have lasted longer than 20 years. One respondent illustrates this by noting: "*We haven't had that many banks. I have had my house bank for 40 years, you could say*" (Company 1, Chairman and Owner). The importance of the relationship was further exemplified in an interview with a senior bank advisor. Thus, the banker explained the necessity and advantage of longstanding relationships and the possible influence on a rating.

> "*But of course, the longer you know your customers, the better you can get a picture of them, and the more I see myself in a position to present them as positively as possible.*" (Bank 1, Senior Advisor)

This statement puts the relationship and partnership between bank and firm in the foreground. Since most German FFs belong to the middle market, one entrepreneur's thesis underlined the importance of close cooperation between medium-sized firms and banks. Thus, he formulated the thesis that: "*The German Mittelstand (. . .) has always boasted that they don't need a bank. (...) They are sure that they finance everything themselves. But some firms independent on the sector, even in great sectors, are driven into the ground*" (Company 4, Member of the Supervisory Board). The interviewee expresses his resentment that medium-sized firms do not need banks. Even though this is a harshly formulated thesis, the importance of close cooperation can be confirmed. Within the results, I found only one statement that opposed a close partnership between banks and firms. As one interview respondent stated: "*So bank partner, I don't know that word because that [a bank] is not a partner. (. . .) I don't hate banks, but the bank is a money supplier, a financial service provider*" (Company 3, CEO/Owner). Both statements oppose each other, but the frequency with which the relationship between bank and business was emphasised suggests generalisability and relevance.

In the opposing statement by the CEO, he referred to banks as "*financial service providers*" and financiers. This is contradicted in an interview with a bank representative regarding the risk distribution between the bank and the company. The interviewee emphasised: "*But the bank is more than a service provider, as a lender, it is also a risk bearer and thus becomes a partner for the entrepreneur*" (Bank 3, Former Member of the Board). The perception of the advantages of a relationship is underpinned by the bank's interest in partnering. One banker related to the competitive nature of the banking sector and emphasised that the bank secures business through a relationship if it can build an interpersonal connection with the company or the owner. He puts it succinctly: "*Because the entrepreneur simply says, come on, you're worth that to me now*" (Bank 2, Head of Corporate Accounts). I showed that there is a mutual interest in building and nurturing relationships. This is particularly evident in the case of FFs, with one banker stating: "*If you as a bank advisor deal with a family, and you now know the senior well, and you may also know the successors well, then you have a long exchange and also a completely different relationship with these people*" (Bank 3, Specialist Financial Engineering).

The relationship of the bankers to the firms, which is recognisable in the statement, is clarified additionally by the phrase: "*I have a very good relationship with the management and the owner. He might invite me to his 60th birthday party or something similar*" (Bank 2, Head of Corporate Accounts). The nurturing of long-term relationships with banks is based on intrinsic long-term thinking, especially in the case of FFs. For instance, one interviewee described it as a depository from which one invests and can draw. In his opinion, it is: "*For a medium-sized company, essential to find a bank (...) that values the long-term relationship*" (Company 5, CEO/Owner). This indicated that long-term relationships and relationship nurturing is important for firms, especially FFs, in the context of credit ratings and thus creates the IM tactic of *interpersonal nurturing*.

Communicative Expressiveness

Last, in terms of relationship building and relevance for firms in the business context of credit ratings, communication was emphasised by firm respondents and explicitly by banks. Since the credit rating through bank advisors refers to external parties increased emphasis was placed on trustful communication and interaction. This is evident in the statement of an interview partner, among others. "*Communication is actually always the most important topic for me*" (Bank 1, Senior Advisor). The highlighted subject of communication represents the final finding of the interviews and forms the basis for trustful business relationships. One interviewee summarised all related aspects of communication in his statement: "*Transparent, open, proactive communication is enormously important for us, but also compliance with financial or other agreements*" (Bank 4, Head of Corporate Banking). Supporting this, another interviewee added: "*If they leave us in the dark, it becomes a risk factor for the banks, and then it becomes negative*" (Bank 3, Former Member of the Board). In the overall consideration of both statements, the result could be linked to the credit rating. Thus, a lack of transparent communication is described as an increased risk for the banks. This increased risk must be minimised in credit negotiations and credit ratings to obtain the most favourable rating possible. This stressed the role of communication in the business relationship between the firm and the bank. It should be noted that this result applies regardless of the ownership structure and, thus, independently of FFs. In the context of communication, the importance of how entrepreneurs should behave when communicating with banks became increasingly apparent to me. It is about convincing the bank of projects and investments or loans in a trustful communication. Through communicative expressiveness, companies can present and position themselves towards the bank. The changed ability to achieve this presentation was pointed out in an interview concerning FFs. "*So that's probably not only the case with the bank, but in general, at least until a few years ago, it wasn't the strength of family businesses. They tended not to be very good at presenting themselves*" (Company 6, Former CEO). The interviewee sees the reason for the change and the need for a more professional presentation in the changed culture of dialogue with banks. She explained that in the past, loans may have been negotiated over "*dinner and a cigar*", but today the challenges for FFs have increased considerably and they are therefore dependent on a professional presentation, including a "*pitch deck*" (Company 6, Former CEO). She sees the younger generations among FFs as the drivers of change, using new forms of communication and being aware of the circumstances in which they operate with stakeholders such as banks.

This was also confirmed by another interview statement, in which a banker described: "*I think the older generation, maybe they didn't have as much understanding of a lot of things that need to be disclosed or that we just need. That is also changing a bit*" (Bank 2, Head of Corporate Accounts). In the context of communicative expressiveness, I observed in the interviews that persuasion comes from enthusiasm increasingly. In one interview, the following statement was made: "*And if I am somehow enthusiastic about the company, then the account manager is also enthusiastic about the management and the family*" (Company 8, CFO). In this result, "enthusiastic" gives the communication a new significance. Besides transparency and trust, communicative expressiveness can affect the perception of banks in general. This is useful within the rating on the one hand and outside the rating on the other. An important core statement on perception, behaviour and communication and the associated impression of companies became clear in the following interview response:

"*At the end of the day in a credit decision, whether I accompany in the bad phase or help through a liquidity hole (...) the rating is also important, but not the decisive factor, but these factors of the soft kind are actually very, very decisive*" (Bank 2, Head of Corporate Accounts). This includes all the abovementioned "soft" rating factors within the qualitative credit rating. It should be emphasised that the rating is, of course, used to determine the loan price and the amount of required equity. However, the result implied that the qualitative factors and the impression conveyed by firms are decisively used for the cooperation. This once again illustrated the relevance of the company's overall appearance in this business context and portrays IM as a possible approach to influence the company's image.

5. Discussion and Conclusion

This section places my findings in the context of the relevant theory and classifies the results concerning the appointed theory of IM. To systematically discuss my research results I present a model of the core statements and dimensions found. This aims to present the interplay and illustrate the interaction between IM and qualitative credit ratings. My thesis is mainly concerned with the aspects of (1) understanding which qualitative factors are relevant for a credit rating of FFs, and (2) identifying possible symmetries or asymmetries in the understanding of qualitative factors between banks and FFs, and (3) identifying IM tactics and strategies of FFs that are ascertainable in credit negotiations. On this basis, modelling the results will serve as a basis for the discussion and to answer the research questions: "*What are relevant qualitative credit rating factors for family firms?*", and "*How do family firms use impression management to leverage their qualitative credit rating, and which family firm-specific characteristics drive this strategy?*".

5.1. Leveraging Credit Ratings – Interplay and Dimensions of Impressions

I distinguished between approaches of IM for FFs and NFFs that can be applied to credit ratings. In the comparison, *family-, business- and relationship-specific dimensions* could be distinguished. Figure 3 shows how these different dimensions interplay with each other and in which scope IM is applied in the context of credit ratings.

The reason for the differentiation and separation of *family* and *firm* lies in the interaction between family members and the firm described by Habbershon and Williams (1999). Although the family is closely linked to the firm, the interaction can still lead to a differentiation between the family and the firm. Furthermore, Sirmon and Hitt (2003) show that FFs built on the human and social capital of the family. This underlines the need to look at the firm and family separately but in close connection. Additionally, Bolino et al. (2008) stated that besides IM on an individual level: "(..) IM theory and concepts also have been applied to the study of various organizational phenomena." (Bolino et al., 2008, p. 1090), for which the firm is presented as a separate entity. Moreover, I identified that some IM approaches are not entirely attributable to FFs in particular but present more generalisable business-specific approaches.

The scope of IM in the context of credit ratings essentially takes place between three parties. Intuitively, the first two are the *bank* and the *firm*. Within the empirical results, however, the party of the *family* has emerged more strongly. Thus, in the context of the discussed topic of the use of IM for FFs, the *family* represents the third and complementary party. At the outset, reference needs to be made to the theoretical concept of IM, which refers to the process by which an *actor* attempts to control or influence the perceptions a *target* has of them (Bolino et al., 2008). Among the three parties, the bank can be regarded as the *target* and the family as the *actor*. Taken together, the dimensions of family-, business- and relationship-specific IM approaches can be assigned to different types of interaction. The *business-specific dimension* occurs between the bank and the firm. Within this interaction, the *target* can gain an impression through aspects and information purely related to the firm. Even though the closeness between the family and the firm was emphasised more strongly in the results and is in line with Habbershon and Williams (1999), in this dimension the IM scope is purely limited to the *firm*. Moreover, I found that the dimension of *relationship-specific* IM forms the cornerstone of effectiveness of all dimensions. This classification is underpinned by the business relationship between banks and firms. Literature has highlighted this significance especially in reference to German firms through the house bank principle (Becker & Ulrich, 2015). So have Gama and Geraldes (2012), pointed out the advantages of close relationships between banks and firms by referring to minimised information asymmetries and enhanced likelihood of engagement and commitment of banks. Within this dimension, the *actor* can build trust through the relationship with the *target*, which is directly related to the other dimensions described.

In addition to this dimension, however, it can be stated that the *family-specific dimension* of IM is also situated between the *target* and the *actor*. In contrast to the firm, the family is at the centre of IM approaches. Overall, the families try to convey a positive impression of themselves as company representatives. Since Bolino et al. (2008) define IM at the organisational level as "any action that is intentionally designed and carried out to influence an audience's perception of the perceptions of the organisation" (Bolino et al., 2008, p. 1095), the *family-specific dimension* of IM would, according to the literature, be assigned to the organisational level of IM. However, the focus is on the family and the impressions relate to the individual level and the family members due to the special nature of FFs and the associated closeness between family and firm (Habbershon & Williams, 1999; Sirmon & Hitt, 2003). However, no explicit ranking or exclusivity could be established when considering the identified *family and business-specific dimensions*. Rather, depending on the degree of effectiveness, both dimensions can be orchestrated together and used separately. Thus, evaluating the interview partners' statements made it apparent that the *target* perceives an impression via different channels. Conversely, the *actor* can create an impression via different channels. This impression flows outside the IM scope through the *target* into the rating carried out. Thus, a reflection of the impression from the applied dimensions is reflected within the rating. The actual rating further quantifies impressions created by the *family* while directly impacting the *firm* in the rating result. As the credit rating represents the input in form of a rating scale output, the qualitative credit rating can be termed quantified impression.

Taken together, I identified the family's importance for the firm. This is seen in the family's effect on the qualitative impression through the rating. In the triangular view of all parties involved, the *family* influences the rating of its company while, as an *actor* in this process, not receiving a rating of its own. Therefore, the *family* primarily controls and influences the three dimensions' interplay.

5.2. Credit Rating and Qualitative Factor Perception for Family Firms

Credit Rating Factors. My empirical results represent an extension of the theory concerning relevant qualitative credit rating factors. Based on the standardisation and stronger regulation in the banking sector, the literature predominantly

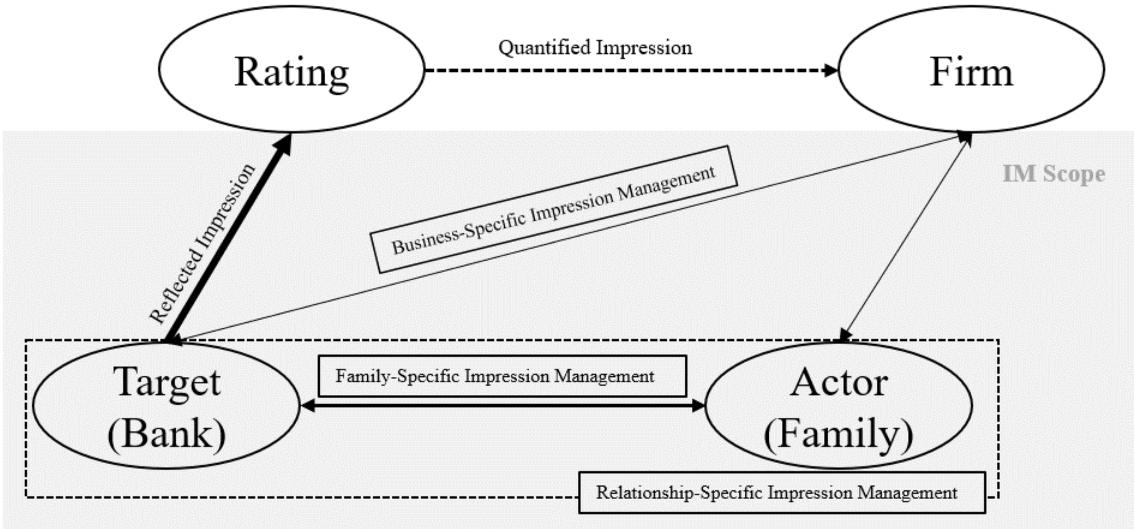

Figure 3: Family-, Business- and Relationship-Specific IM Dimensions (Own Illustration)

focused on quantitative factors of a credit rating (Marek et al., 2022; Matthies, 2013). This is, on the one hand, to the simpler data procurement determined by the analysis of a company's financial data and, on the other hand, to the general focus on quantitative assessment due to Basel III (Marek et al., 2022). However, quantitative data is insufficient to calculate an accurate POD and assess the stability of a company in terms of its financial obligations and debt repayments. For this assessment, the less regulated and non-standardised qualitative factors are important (Grunert et al., 2005). Since the lack of uniformity of these factors, the literature contains far fewer significant and company-specific factors for the qualitative credit rating. The literature used for this research on qualitative factors of a credit rating is based on studies that have been conducted some time ago. However, I have increasingly confirmed the consistency of these factors. Thus, I found the rating factors of management quality, succession, competitiveness, and industry (Crouhy et al., 2001; Krahnen & Weber, 1999; Matthies, 2013), in my interview statements with bank and company representatives. However, to extend the knowledge of qualitative rating factors, I found the relevance of additional factors in my findings. To ensure following the intention of qualitative research, in my analysis, I additionally paid attention to "new" qualitative rating factors than to those mentioned in the literature. In the literature dealing with qualitative credit rating factors, no explicit distinction is made according to the type of company (Camanho et al., 2022). The qualitative factors mentioned are universal, and no company-specific characteristics can be identified. However, I found attributes in the context of FFs that indicate company-specific characteristics. Wiener-Fererhofer (2017) has already pointed to an adaptation of the credit rating of FFs. My results suggest that qualitative rating factors explicitly pertinent to FFs can be identified within the qualitative credit rating. These are represented in *the family-specific IM dimension*.

Thus, I found in the interviews that, concerning FFs, banks focus on the family and assess them in different aspects. I identified that aspects such as family values and harmony within the family are assessed within a credit rating. This shows that Wiener-Fererhofer's (2017) assumption of valuing FFs differently to meet their specific characteristics is pertinent. The long-term orientation of FFs described by Chua et al. (1999) and the general aspect of ownership and control presented by Becker and Ulrich (2015) support these family-specific characteristics in credit ratings. However, I found a stronger correlation with the concept of "familiness" described by Habbershon and Williams (1999), which refers to the interaction between the family, its individual members, and the company. The results of my work illustrate that the affinity between family and firm determines parts of the rating factors of FFs. Aspects were identified that can be divided into three essential pillars. I identified that family-related aspects are broken down into subordinate points when considering and evaluating FFs. In my results regarding the qualitative factors, I identified an expansion of the factors mentioned in the literature. The family's commitment to the business was highlighted several times in the context of FFs.

Explicitly, the rating factor here refers to the family's wealth situation in terms of financial contributions and support from the family in addition to the bank's commitment. Camanho et al. (2022) refer to a derivation of the qualitative factors of the leading rating agencies, in which this factor is not included. This highlights that it is feasible to expand the rating factors to include the family's wealth situation in the case of FFs. The banks' interview responses also clarified that this is purely a rating factor attributed to FFs. However, on closer examination of my findings, I identified that the rating factors as such play a role in the calculation of the equity required by the debtor or the pricing of a loan, but that other aspects are also considered. Thus, the qualitative factors' role in credit ratings remains ambivalent, as Grunert et al. (2005) point out. It was, however, possible to lessen the ambivalence of non-financial factors (Grunert et al., 2005) to a certain extent by, on the one hand, finding a variety of other factors for assessing the stability of a company and, on the other hand, highlighting the importance of these factors beyond the credit rating. This leads to the assumption that aspects of the family image and the dynamics between the family members are considered within the credit rating framework.

However, it should be noted that these factors are not evaluated in a qualitative credit rating by the bank but are included in the perception of the bank advisor. Furthermore, in the case of FFs, the focus lies on generational change and the associated succession. Although this factor is addressed in the literature by Matthies (2013) and Camanho et al. (2022), it has an overarching significance in my findings. Thus, the literature includes the rating factor of succession but can, throughout my findings, be identified as one of the most significant qualitative rating factors. In this context, an aspect was elaborated in the results that, like the previously mentioned factors, does not receive an explicit rating but is included in the overall construction of a credit rating by banks. Family values and the passing on of these values to the NextGen are seen in the results. The predominantly narrow literature on qualitative rating factors does not differentiate between company types. Moreover, the analysis of my thesis results indicates an adapted credit rating framework of FFs in credit ratings. However, this adaption is limited due to purely polar questions that do not reflect aspects such as family values, family image and family dynamics. I confirmed the need for a modified approach to the credit rating of family firms, as suggested by Wiener-Fererhofer (2017). I showed that the factors mentioned in the literature are largely reflected in my results and that occasional family-specific factors are included in a credit rating. However, a rigid polar questioning cannot address the factors mentioned, such as family values and dynamics, so there is still a limitation to the credit rating of FFs, even if I found that banks take these aspects into account in a credit rating.

Concordance of Credit Rating Factors. To evaluate the IM approach in credit ratings, the analysis and comparison of statements on qualitative rating factors served as a basis for comprehending these factors. In addition to the IM approach, my thesis dealt with the issue of whether asymmetries or symmetries exist in the perception between banks and FFs about relevant qualitative rating factors. By comparing the statements of the interview partners, I established a consensus. This is mirrored in the results and shows that the FFs are aware of the relevant qualitative factors referred to by the banks. Furthermore, I found answers to the first research question, "What are relevant qualitative rating factors for family businesses". The extension of the literature concerning the type of business can be referred to again at this point. The hypothesis of whether there are symmetries or asymmetries concerning the qualitative factors is based on non-uniformity. Nevertheless, homogeneity in the individual statements of the banks could be identified in the concordance of the factors between banks and FFs. This thus represents a further extension in the theoretical context of credit ratings. Analysing five different banks showed that the banks have the same assertions regarding the qualitative rating factors. Furthermore, including a bank based in Switzerland made it possible to show homogeneity in the German-speaking region. It can be stated that, as indicated in the literature, the banks do not follow uniform approaches in terms of qualitative credit ratings, but there is a tendency towards convergence.

5.3. Adequacy of Impression Management in Credit Ratings

Broadening of IM Applicability. The concept of IM developed in sociology finds various fields of application in the literature. These primarily relate to interactions between individuals in business contexts, such as career or interview processes (Bolino et al., 2016; Goffman, 1959). IM's intention is to attempt to control and influence the perception of others (Bolino et al., 2008). The literature on this attempt to control or influence is explained through major areas of tension. IM at individual and organisational level, conscious or unconscious approaches, and direct or indirect approaches (Bolino et al., 2008; Mohamed et al., 1999; Tedeschi & Melburg, 1984). The theoretical perspective of IM relevant to my thesis is the multi-level review by Bolino et al. (2008). The results of my work serve to follow the call of the authors that: "researchers should examine the use of IM behaviours outside the commonly researched contexts of job interviews and performance appraisals" (Bolino et al., 2008, p. 1090) and place its described characteristics in new business contexts. My research was done similarly to Parhankangas and Ehrlich (2014) researching how IM can influence the success of entrepreneurs in business angel funding. However, I placed the IM approach in the context of credit ratings, which has not been studied before, in contrast to the study by Parhankangas and Ehrlich (2014), who drew on previous research in their respective field. Thus, my findings represent two extensions to the existing literature on IM. First, my results have confirmed the applicability and recognisability of the IM tactics defined by Bolino et al. (2008) in a different business context. Secondly, my research has led to an extension of the literature on this approach by adding new IM tactics. The review of the identification of IM tactics and generating new tactics and underlying factors not previously considered will be presented separately. IM is divided into dimensions in the literature relating to the individual and organisational levels. Mohamed et al. (1999) conducted a classification of IM at the organisational level and categorised commonly used IM tactics into a 2×2 matrix (see **Table 2**). It is important to emphasise that the multi-level review by Bolino et al. (2008) cited in this paper also differentiates between individual and OIM but does not clearly separate these levels. Thus, OIM is defined as an approach to creating, protecting, and maintaining an image by spokespersons of an organisation (Bolino et al., 2008; Elsbach et al., 1998). This definition provides a general link between the individual and the organisational level. Explicitly in the case of the FFs studied, the results showed that hybridisation of both levels is discernible. The business context studied builds on the strengths of the OIM literature. The hybridisation confirms earlier findings that “IM takes place at the organisational level” (Bolino et al., 2008, p. 1097). This is due to the importance of the family for FFs and shows no clear separation between IM at the individual and organisational levels. I furthermore confirmed the correlation Bolino et al. (2008) found, yet in a new business context investigated. Although the individual and organisational levels are closely related, the organisational level’s characteristic of “others-as-audience” described by Leary and Kowalski (1986) can be identified as the defining approach to FFs’ IM in the business context studied. It should be noted that although IM tactics are increasingly found at the individual or organisational level, Mohamed et al. (1999) developed matrix contains overly generic approaches that are not fully applicable in the investigated credit rating business context.

I showed that the dimension of IM at the organisational level requires an integration of tactics from the individual level. This integration relates to the research context of FFs, as family members being individuals, representing their organisation. This, furthermore, made the impact of IM tactics at the individual level more evident. The IM tactics elaborated in my findings (see Appendix D) compare parts of the 31 commonly used IM tactics defined by Bolino et al. (2008). In the business context of credit ratings of FFs studied, I found a general focus on assertive IM, as in previous studies on IM (Nagy et al., 2012; Parhankangas & Ehrlich, 2014). This form of IM refers to “proactively managing impressions about themselves” (Bolino et al., 2008, p. 1082) and reflects conscious and direct IM tactics. I identified several tactics in my findings that are described as OIM by Mohamed et al. (1999) on the one hand but are also applied at the individual level by Bolino et al. (2008). While considering IM in a new business context, the fundamentals of IM described by Bolino et al. (2016) and Leary and Kowalski (1986) are considered. In this context, impression motivation is of particular importance. In the investigated business context of credit ratings of FFs, the goal relevance and the goal value described by impression motivation must first be accounted for (Leary & Kowalski, 1986).

From the FF’s point of view, impression motivation reflects obtaining the best possible credit rating. The approaches pursued to obtain this motivation are characterised by the three dimensions of the *family-, business- and relationship-specific* approach (see Figure 3). Within these dimensions, impression motivation can be understood as a building block. In addition, once the relevance of the goal has been established, impression construction can be identified by the FFs. Here, the literature describes the decision path of which of the different IM tactics to apply to achieve impression motivation (Leary & Kowalski, 1986). I related this impression construction and the tactics found directly to the specifics of FFs to identify possible adaptations or significances. Within my findings, I have recovered various tactics of assertive IM (see Appendix D), which break down into more advanced tactics. IM tactics outlined in the literature could be identified based on the existing and extended qualitative rating factors. The concept of familiness defined by Habbershon and Williams (1999) classifies most applied IM approaches in the *family-specific dimension*. To emphasise the pertinence and commitment of the family, tactics that directly address them are identifiable. I found that FFs primarily use enhancement, ingratiation, and demonstration tactics in this context. These tactics take a proactive approach and serve to shape and influence perceptions. Ingratiation refers to a higher form of IM and, according to Mohamed et al. (1999), serves as a strategic behaviour to increase the actor’s attractiveness. Enhancement denotes the approach of claiming “that the positive outcomes for which the actor is responsible are greater than generally assumed” (Bolino et al., 2008, p. 1082). Demonstration or demonstrative IM is defined as the provision and detailed display of activities specific to the organisation.

These IM approaches focus on the qualitative credit rating factors, which both FFs and the banks have confirmed outlined in Chapter 5.2. The aspect of family pertinence shows that FFs try to convince the bank of their positive qualities in various areas. Thus, the pertinence of the family became apparent in the recurring statements of the interview partners. In addition, the pertinence and significance of the family in FFs are also referred to in the literature (Sirmon & Hitt, 2003). This became explicitly evident concerning occurring family dynamics. I adapted the IM approach of favour rendering used in the literature (Bolino et al., 2008, p. 1082) to develop a targeted method for this factor. The IM tactic of *family dynamic rendering* can be depicted using the existing approach of favour rendering. In its originality, the IM approach of favour rendering describes rather the appearance as likeable through helping or doing favours. This tactic is a sub-form of ingratiation, which can also be assigned to assertive IM (Bolino et al., 2008). However, the basic principle of favour rendering can be applied to the family dynamics described. Because banks pay attention to the dynamics within the family in the context of a credit rating and inconsistencies are assessed negatively, the highest possible attractiveness can be achieved through the representation of minimised family dynamics. Thus, it is not about actually helping and doing favours as defined in the literature, but about presenting the family dynamics in the most likeable form. Within this tactic, the assertive IM approach is illustrated, as FFs are aware of banks’ influence and perception of potential intra-family dynamics and proactively try to manage them. Further, literature has reviewed the role of dynamics within FFs from different perspectives. According to Baur (2016), these can be either value-creating or value-consuming. The author stated, that, most ostensibly and publicly interesting, the reason for most struggling FFs is disputes within the family (Baur, 2016). Following, managing, and rendering family dynamics most favourably have two beneficial aspects. First, minimising the risk of the demise of FFs, and second, enabling to create the impression towards banks in qualitative credit ratings in this specific business context.

Moreover, I refuted the stated demise of FFs in Western societies due to the declining role of the family as an institution in FFs and the alignment of the interests of owners and management regarding governance structures leading to an increasing exit of families (Baur, 2016). Moreover, the highlighted relevance of the families in credit ratings and the necessity to manage family dynamics supports Simon et al. (2009), stating that the family itself has no stabilizing characteristic for the firm if caused by cyclic family constellations. The authors stated that high divorce rates or flexible family forms as interim single or long-term partners potentially lead to destructive and unsupportive family constellations affecting the FF (Simon et al., 2009). As I have identified the family's close association with the firm, the IM tactic of *family dynamic rendering* to create a cohesive appearance further gains relevance, especially due to the possibility of complex family constellations. This demonstrates the applicability of IM in this business context, as the use of different IM tactics can be identified in relation to FFs. Concerning the IM literature, it should generally be noted that the impression construction and the associated choice of IM tactics depend on the context and the actors (Bolino et al., 2008, 2014). Due to this dependency, I developed extended IM tactics from my results for the specific FFs' credit rating context. Moreover, Bolino et al. (2008) highlighted that "it also may be useful to develop new models of IM that go beyond these extensions to ensure that they capture the unique aspects found only at the organizational level" (Bolino et al., 2008, p. 1100).

Due to its relevance, I assigned my developed IM tactics to the previously described *relationship-specific dimension*. Since the results of my thesis show the importance of the relationship between the FF and the bank, additional IM tactics not yet defined in the literature could be generated in this context. The broadest tactic relates explicitly to the relationship, which I termed *interpersonal nurturing*. The development of this IM tactic and the expansion of existing tactics by Bolino et al. (2008) is based on the relationship between the *actor* and the *target*, recognisable in the results and fundamentally necessary for IM. Nurturing the relationship between the actor and the target creates a trusting framework to use the respective tactics effectively and convince the target of the impressions conveyed by IM. *Interpersonal nurturing* as an IM tactic aims to better convey impressions by being used within an existing and nurtured relationship between actor and target. All IM tactics mentioned in the literature show different forms of IM, but the influence and relevance of the relationship have not been addressed so far. The tactic of *interpersonal nurturing* was complemented by the focus on the relationship shown in my findings. Following the business context of credit ratings, this IM tactic is also characterised by the house bank principle (Becker & Ulrich, 2015; Gama & Geraldes, 2012). However, this reflects a fundamental IM tactic that can directly influence existing tactics and should be denoted as an expanding IM tactic. This IM tactic can be related to existing tactics such as others-focused IM, which describes behaviours that make the target perceive them as likeable or attractive (Bolino et al., 2008, p. 1082). In a holistic view, however, a link can be derived from this tactic to the fundamental aspects of IM described by Leary and Kowalski (1986). In the business context of credit ratings, I considered that FFs *nurturing* of the bank relationship plays an attendant role in addition to impression motivation and impression construction.

The recurring emphasis on the relationship in my findings suggests that the other IM tactics' effectiveness is limited in its absence. In the context of credit ratings, I recognised that this aspect has an elementary and underlying relevance. This relevance can also be identified in a further tactic that became apparent within my findings. In addition to the subdivided aspects of the primary assertive IM retrieved (see Appendix D), communication was notable in the actor's impression. The verbal IM tactic, which describes the use of "spoken or written words to attempt to actively manage impressions" (Bolino et al., 2008, p. 1082) can be found in the literature, but a more in-depth tactic could be identified in this case. Thus, I found additional aspects to the concept of verbal IM. These are also, like interpersonal nurturing, related to the *relationship-specific dimension* of IM within credit ratings. The IM tactic developed refers to the expressiveness of communication. Particularly, I showed that trustful, open, and proactive communication influences the rating by the bank and can thus be actively used by the firm. Generally, it can be observed that the IM tactics synthesised in the literature by Bolino et al. (2008) can be applied in the business context of qualitative credit rating. Following, I adapted and focused on FFs, and identified a division of the IM tactics into three main areas. The classification of Mohamed et al. (1999) shows that IM tactics such as ingratiation, promotion and exemplification can primarily be distinguished on an organisational level. These are also found in my results. Apart from these, however, other IM tactics came to the fore, which can be assigned to the tactics of demonstration and illustration. Furthermore, given the second research question of my thesis: "*How do family firms use impression management to leverage their qualitative credit rating, and which family firm-specific characteristics drive this strategy?*" I determined that the actor in this research context, the FFs, and their characteristics, influence the extent to of these tactics are used. It has proved necessary to consider IM tactics tailored to FFs.

From a perspective of generalisation, my thesis has led to the inclusion of the characteristics of the actor in the theoretical approach of IM. Thus, the research question could be answered specifically by identifying family-specific IM tactics such as family value enhancement, family dynamic rendering or generational change demonstration. In addition, it became apparent that there are various approaches to IM in the context of qualitative credit ratings in the interplay of the three parties shown (see Figure 3). As outlined previously, FFs can apply different target-oriented IM tactics in a qualitative credit rating context. The scope of this application is fundamentally guided by the goal relevance and goal value of Leary and Kowalski (1986). Moreover, it is necessary to consider the rating of a company's stability identified in the results and accordingly apply tactics that maximise the influence and perception of this stability in the most significant aspects. Therefore, my results and the tactics developed are to be adapted to the situation and applicability of FFs.

5.4. Practical Implications

In addition to examining the applicability of IM in the context of credit ratings and filling research gaps, this work aims to identify possible approaches to improving or maintaining credit rating scores. The results of this study show how FFs act in negotiations with banks and how these are perceived by banks. Family-owned firms or managers of FFs can use this study as guidance to orient themselves as to which aspects a bank pays attention to in a qualitative credit rating. The targeted use of the IM approaches and tactics identified in the study can potentially improve the final rating scores. Since FFs are found in the Mittelstand in the German market, they form the economic backbone of the German economy (Foundation for Family Businesses, 2023). The results show that a mutual interest between FFs and banks exists to facilitate long-term cooperation. The IM tactics described serve to make this long-term cooperation as efficient and successful as possible. Although this study focused on the analysis of FFs, family-specific factors and family-independent approaches are considered. These must be taken into consideration to be able to apply the IM tactics described in practice. Depending on whether it is an FF, an externally managed FF or another type of business, the respective IM dimension can be used and applied accordingly.

However, in addition to the adjustment depending on the type of business, the results also show that one dimension or aspect is independent of the type of business. Both FFs and NFFs should take the *relationship-specific dimension* into elementary consideration for cooperation. Since the results showed that the relationship between the bank and the business is the cornerstone of successful IM, this aspect is particularly important. Furthermore, this study incentivises families to become aware of their relevance to their business on an ongoing basis. The results highlighted that the family is in the foreground and consistently represents the company. Besides, the study clarifies that within a qualitative credit rating, this presence and representation of the family is reflected. This also applies to family members who are not actively involved in the company. Linked, the study demonstrates the importance of succession in FFs. This aspect is repeatedly addressed in the results. In spite, this study focused on succession and related aspects, such as the passing on of tradition and values.

The interview respondents confirmed that the credit rating process does not only focus on succession planning but also on the NextGen. In this respect, this study incentivises FFs to place the NextGen in the firm early to strengthen the relationship between the company and the bank across generations. The explicit aim is to convey the company's values to the NextGen and to transfer responsibility. As described initially, this aspect primarily relates to FFs and is less relevant for NFFs. In addition to the effects of the IM approaches discussed, the study confirms the relevance of the interaction between the bank and the business outside the rating. The interview statements confirmed several times that the impression left is decisive for whether the firm will be supported by the bank even in difficult economic times. This describes an aspect of the long-term that permeates the entire study. The long-term nature of the FFs and the long-term nature of the relationship between the bank and the firm. The study thus provides orientation for FFs and their NextGen to be aware of the relevance of these aspects for a qualitative rating and to orientate themselves on the IM tactics shown to sustain the continuity of the business about financing by banks. Even if the results highlighted that quantitative factors are given greater weight in credit ratings, the qualitative aspects are not to be neglected and can be supported by IM tactics through targeted and appropriate application and adaptation to the respective situation.

5.5. Generalisation

To ensure the generalisability of the results, care was taken to maintain a high degree of heterogeneity among the FFs regarding both size and business activities when selecting the interview partners. Thus, a total of nine FFs were interviewed as part of this study, both family-managed and externally managed firms. The size of the firms was measured in terms of turnover and the number of employees, ranging from 30 employees and five million annual turnovers to 14,000 employees and 3.2 billion turnovers. The industries in which the FFs operate range from the automotive industry to the service sector and manufacturing and care was taken to consider firms located in Germany. This enabled the results to be generalised for the German market. Furthermore, in respect of the banks, it was ensured that a distinction was made between cooperative banks and universal banks. Therefore, banks were selected that are generally believed to finance the German Mittelstand. These banks, however, also differed in size in terms of the total assets, which is a typical key figure for the banking sector. This ensured that the statements made in this study can be generalised for FFs and banks. Nevertheless, it should be noted that this generalisation refers to the qualitative rating factors stated by the banks and, based on them, the IM tactics for German FFs.

5.6. Limitations and Future Research

The very specific context chosen for this thesis enabled to expand on various aspects of the literature and to explore the theory of IM, which was increasingly used in sociology, and its usefulness for the qualitative rating of FFs. The need emphasised by Bolino et al. (2008) to investigate the theory in new business contexts not previously considered could be fulfilled with this thesis. However, due to the specific context, several research limitations arise for this thesis. The first limitation consists of the fact that the adequacy or applicability of the theory could be shown. Still, the measurability of the applied tactics is not given. As the present study is a qualitative investigation, the applicability and adequacy of the theory could be demonstrated as described. Since, in the case of the qualitative credit rating, a strongly subjective assessment by the bank was found, there is a significant limitation in determining the actual effect, which can result from family-, business- and relationship-specific dimensions. However, this limitation gives rise to a potential need for future research on the measurability of the identified IM tactics in qualitative credit ratings. My thesis and the results contained therein form the foundation on which to build to explore the illuminated business context of credit ratings and the impact of IM in terms of its effectiveness.

The second limitation of this thesis is that the results are based exclusively on interviews with banks and FFs. Again, the interviewees' strongly subjective views of the topic cannot be excluded. Although it can be assumed that the respondents gave truthful information about their behaviour in bank negotiations, verifying the implementation of the described statements concerning appearance and behaviour was not possible. Here, the present work reaches its limits but points to possible forms of future research. For instance, future research should include field studies for verification, in which the behaviour of both parties can be actively documented and analysed to substantiate a definiteness of IM usage in the business context. The third and last limitation resulted from the findings of this thesis. Since the focus was placed more on the successor generation, the limitation lies in the interviews conducted for this thesis. Thus, the data primarily includes interviews with one company representative. Although several interviews were conducted with the same company in isolated cases, they were not conducted with different generations. Particularly in the case of FFs, future research should investigate the extent to which behaviour, and thus also IM, differs between generations. This outlook on future research in the field of FFs is based on the recurring importance of the NextGen. This could allow differences in approach between generations and, thus, different approaches of IM to be explored. In summary, my research provides a starting point for the study of IM in FFs, highlighting wide-ranging aspects accompanied by limitations that need to be addressed in future research.

5.7. Concluding Statement

In conclusion, this thesis has examined the aspect of IM in FFs, which to the best of my knowledge, has not been considered before. My research brought out essential findings on the (1) applicability, and (2) specific aspects of IM tactics for FFs in particular. In the course of my research, I identified the relevance of the family to the business. However, by embedding IM into the consideration of qualitative credit ratings, I showed how FFs can potentially gain advantages for their company from this relevance. As this work relates to the specific case of qualitative credit ratings, the results must be classified accordingly. As part of the research, new IM tactics were added alongside the review of existing ones. This essentially covered two areas of research. Firstly, IM research in general by confirming and expanding the literature. Secondly, research on FFs, as there has been little to no IM research on FFs in the German market so far. As the results show, IM can also be applied outside the research context I studied. This gives the topic a new significance, as FFs can gain advantages through an appropriate presentation and use of IM. In my research, these were initially limited to credit ratings, but as the research progressed, an overarching effect became apparent that is also gaining relevance outside of ratings. As, it became apparent that, especially in economically challenging times, the impression conveyed and the trust in the company, the family and the NextGen are important.

Referring to the introduction of this thesis and the renewed emphasis on the relevance of FFs for the German economy, this thesis can be incorporated into the extensive research literature, although it has potentially highlighted a need for further research. Nevertheless, special attention should be paid to the complexity of IM and the related fields of application. In this manner, I have answered the call of Bolino et al. (2008) to examine IM in new contexts and have made a scholarly contribution to the vast and, at the same time, influential topic of IM. After all, it should always be kept in mind:

> *"You never get a second chance to make a good first impression."*
>
> (Will Rogers, n.d.)

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