Journal of Case Studies
www.sfcrjcs.org
May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

Succession Planning and Leadership at DRYCO, Inc.

George L. Whaley, San Jose State University
Paula Walker, San Jose State University

This case was prepared by the authors and is intended to be used as a basis for class discussion. The views presented here are those of the authors based on their professional judgment and do not necessarily reflect the views of the Society for Case Research. Copyright © 2014 by the Society for Case Research and the authors. No part of this work may be reproduced or used in any form or by any means without the written permission of the Society for Case Research.

Introduction

Daren Young, CEO of DRYCO Inc., and three business associates returned from the February 2013 Super bowl and he reflected on a narrow loss by his favorite football team. This caused him to mull over the reasons for the narrow margin between DRYCO losses and profits over the years. DRYCO was founded in 1985 as a pavement construction and maintenance company resulting from a family business crisis. Young worked hard over the years to move his family firm from losses to growth and sustained profitability (Company Events and Milestones, Appendix A). After many growth years, the last few years had been especially difficult for the firm due to the economic recession and decline in the local real estate market that seemed to drive the pavement construction and maintenance (PCM) industry. Young had received several suggestions that he should start succession planning to avoid future crises, but he felt that at age 50 other aspects of his leadership had more immediate company impact. However, if he changed his mind and started succession planning, he wondered about the best timing and how to start.

Young sensed the start of an industry downturn in 2008 and he avoided the start of a DRYCO crisis by reducing his firm's operational expenses to maintain profit margin and employment. In 2009, he made a bold decision to expand to a second location, a site fifty miles away, in an effort to increase sales. After a short-lived dip in revenue, he managed to return company revenue to pre-recession levels while the PCM industry remained in crisis mode (Appendix A). The economy continued to improve and he was confident the expansion decision he made in 2009 was a good decision. 2011 was the first year Young recalled the CEO succession topic came up; however, it seemed to arise more frequently now and from diverse sources. The most recent advice concerning the topic arose in a March 5, 2013, session when his CEO-coach asked:

> When you leave DRYCO, who is going to take over as CEO? He responded: I am too busy and young to think about it seriously. When I am ready, I will get back to you.

After his March 2013, CEO-coach session, he sat alone in the office and uttered two questions:

> What would have happened if I was not around to make the right decisions? Does this imply that it is urgent that I select my successor as CEO?

Young searched for more information on succession planning and discovered it was one of the most important issues family firms faced, but such planning was seldom done by these firms (Hegeman, 2012; Handler, 1994). He concluded that CEO succession was part of his leadership role but he also realized that most likely he had a different answer to the coach's question about succession planning than his wife, kids, attorney, and other stakeholders. These recent meetings with his CEO-coach made Young realize more than thirty years had passed since he took over his father's firm and subsequently formed DRYCO (Appendix A). Young recalled many of the crises he avoided over these thirty years were a combination of planning and his gut instincts. Hence, he questioned whether he should start succession planning now, wait until the next time he updated his Will and Trust in three years, or start right before his retirement in ten years.

The Pavement Construction & Maintenance Industry (PCM)

Daren included national, regional and local industry trends in DRYCO business decisions. The U.S., regional and local PCM industries were not easy to define but the literature and interviews with industry observers showed they were depicted in several useful ways (A. Heydorn, personal communication, January 29, 2013). Nationwide PCM contractors were usually included in the private sector road, driveway and parking lot activity and they specialized in either the private or public sector, except in difficult economic times. For example, many attempted to cross over into the other sector during the 2008 recession to survive. Yet, during the recession, the level of firm concentration remained low and activity was widely spread (IBIS World, 2013; The American Road & Transportation Builders Association, 2013). PCM firms ranged in size from smaller regional and national, family owned, to larger vertically integrated, and publicly held multinational corporations (Interlocking concrete pavement institute, n.d.). PCM customers were owners and agents for commercial buildings, recreational facilities, and parking facilities; but also homeowners with large lots, parking lots, and recreational surfaces. The American Road & Transportation Builders Association (2013) report showed U.S. private work on parking lots, driveways, and related structures was expected to grow more in the last two years of the five-year forecast. Locally, private driveway and parking lot construction and maintenance was often viewed as synonymous with the PCM industry (A. Heydorn, personal communication, January 29, 2013; D. Young, personal communication, January 23, 2013).

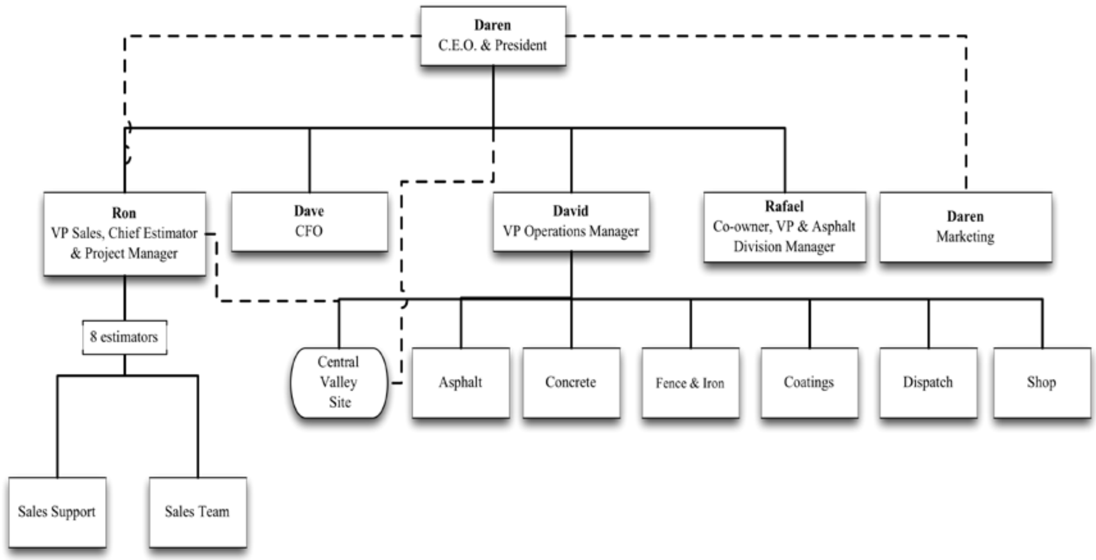
Company Background

DRYCO was bred from former family business crises and the new firm grew from three employees and part-time laborers in 1985 to 165 employees by 2013 (Appendix A; D. Young, personal communication, January 23, 2013; S. Young, personal communication, April 8, 2013). In 1980, Daren Young started to work after high school at his father's struggling PCM firm. Not long after his father's health deteriorated, Daren obtained his own general contractor's license to help his dad and started his own firm. When Daren launched DRYCO in 1985, he learned all facets of the business by avoiding his dad's mistakes and by trial and error. Shortly thereafter, his wife, Sandra, joined the firm to run the office with his dad's help while Daren concentrated on estimating and working in the field with crew supervisor Rafael Torres (D. Young, personal communication, December 22, 2011). He added field employees, office staff, and managers only when it was required to serve new customers. The small family company began hiring in traditional overhead areas such as accounting, sales, and finally in marketing. His dad continued to work part-time as an estimator until he retired.

May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

In 1992, Ron Saisi, joined DRYCO as an estimator and the company grew into a full service paving, custom concrete and pavement maintenance business. As a result, DRYCO's organizational structure changed to include several work crews that focused on different materials such as asphalt, concrete, and fencing work and specialized in different aspects of pavement such as tennis court coatings and concrete floor grinding, polishing and overlays (see Figure 1 below). Front-end customer contact roles such as estimators, project managers, and sales reported to Ron as VP of sales and marketing roles had a dotted line relationship to Daren. By March 2013, Sandra no longer worked day-to-day at DRYCO and Ron's two sons reported to Ron.

Figure 1. DRYCO's Organizational Chart. March, 2013.



Profile of Key DRYCO Managers

Three DRYCO managers spearheaded early development of the DRYCO company culture and they led efforts to maintain the company values and business focus:

Daren Young. Daren was a self-made entrepreneur and business leader that built DRYCO into one of the most reputable PCM companies in Northern California. He developed the firm with a core set of values that led to the retention of a strong team of leaders and employees. Daren used his many years of experience as an entrepreneur and business founder, industry consultant, Pavement Network member, and local fundraiser chairman to keep growing DRYCO. He took pride in producing a stable company where employees knew the firm's values and cared about them. DRYCO's objective was: "To provide their customers with the right combination of work and materials, while being responsive, having flexible solutions and scheduling at a competitive price." The company's mission was: "To be a resource for property managers and general contractors, who have site construction, engineering, and reconstruction projects" (Daniel & Ravulapati, 2009). The firm offered services tailored to owners, property managers, and general contractors and it was organized to support the mission (see Figure 1 above). Daren emphasized strong relationships in the

May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

workplace, supported by a multi-generational workforce that DRYCO maintained. One of his guiding focuses had always been to maintain a family-oriented company, to keep employees gainfully employed and if required, he exercised situational leadership. Daren focused on building and maintaining DRYCO and he did not think about CEO succession until 2011 when he recalled that over time many family members had worked in the firm. Often speakers at his CEO meetings as well as his own CEO-coach stressed that a clear succession plan helped family firms to transfer their businesses to the next generation. Recently, the CEO succession topic continued to arise from many varied and trusted sources.

Rafael Torres. Rafael worked for Daren's father on a part-time basis and shortly before DRYCO was incorporated, Daren asked him to work for the new company full-time. Torres agreed and he handled all hiring and the work crews. He focused on building outside work crews and remained a hands-on manager while Daren became more of a hands-off manager who focused on strategic planning, marketing, and developing outside relationships. Eventually, Daren awarded Torres with 10% stock ownership and appointed him as VP and Asphalt Division manager. Rafael viewed succession planning as an urgent topic but he did not have CEO aspirations. Although Rafael and others had implied he was not interested in becoming CEO of DRYCO or his own firm, they indicated he was one "bedrock" of the company culture (D. Young, personal communication, December 22, 2011; Appendix A).

Ron Saisi. Ron joined DRYCO in 1992, as Daren's first professional estimator. He had experience in the construction field and he had mainly worked in PCM family-owned firms. Ron saw DRYCO as the next up and coming PCM company and he told Daren that he could contribute to growing the business. Ron's values and management style supported the DRYCO objective and mission and he championed Daren's decision to do striping in-house for their own sealcoat crew in order to provide a better service for their customers. Later on, DRYCO took on tennis court servicing and the company grew from $13M to $27M in 1998 and 2012, respectively (R. Saisi, personal communication, April 5, 2013; Appendix A).
By 2013, Ron became VP of Sales, Chief Estimator, and Project manager. Like Rafael, Ron had not stated any personal CEO aspirations to Daren but he viewed succession planning as important. Recently, he reminded Daren by uttering, "Our sons are potential CEO material."

Successorship

As previously mentioned, 2011 was the first time that Daren Young thought about DRYCO CEO succession planning. However, family members, current and former employees, and a few outsiders had opinions about the topic and some of these stakeholders had mentioned their views to Daren. Although his wife, Sandra, no longer worked at the firm, she maintained influence on the CEO successor decision through her DRYCO Corporate Secretary position and the family Will & Trust. Since Daren owned 90% of the company stock, family inheritance and DRYCO succession planning were intermixed (D. Young, personal communication, December 22, 2011). Daren had three sons and a daughter and at some point in their lives, all of them worked at DRYCO (Young Family Tree, Appendix B). Like many small businesses, the relatives of quite a few employees worked at DRYCO over the years (D. Young, personal communication, December 22, 2011). Yet, few relatives of employees held full-time professional or management positions with the exception of Ron's sons that were hired right after college as estimators.

In 2011, Ron Saisi, mentioned: "My two sons and your oldest son are top performers at DRYCO and they could run the company in a few years." The CEO succession topic arose again in 2011 while Daren reviewed his Will & Trust paperwork with his wife, CPA and attorney. Sandra had always hoped that one of her children would become CEO of DRYCO and at some point, all of the children had expressed an interest in joining the family business. In February 2013, one of Daren's trusted CEO associates divulged that CEO succession was part of 360 degree leadership sessions held with his CEO-coach and he told Daren the process was valuable. The most recent mention of CEO succession arose in a March 2013 session with Daren's CEO-coach.
The authors developed a stakeholder perceptions survey inspired by the Davis (1982) three-circle model of family members, employees, and owners as important relationships in a family firm. Daren, nine family members, and employees were interviewed by the authors to ascertain their views of succession planning and leadership at DRYCO. Each person was asked the same questions and the detailed responses were not shared with the CEO (Stakeholder successorship interview results, Appendix C).

Primary CEO Successor Candidates

Difference opinions were expressed in the authors' interviews; however, some common themes and four potential CEO successor names emerged (Appendix C). The consensus was that if DRYCO suddenly needed to replace Daren, an experienced outsider or insider would briefly serve as CEO until a company insider was groomed and ready. Two of Daren's sons and Ron's sons emerged from the interviews as the most likely long-term CEO successors; their work titles and backgrounds were mentioned in no specific order in the interviews:

Tyson Young-DRYCO's estimator and project manager. Tyson, Daren and Sandra's eldest son, had worked at DRYCO part-time on and off during summer breaks since 1999-2000. In 2003, he worked full-time in the concrete division for 8 months, but his career at DRYCO was interrupted by military service. In 2006, he rejoined DRYCO full-time as a junior estimator and quickly moved his way up the ladder to estimator. At work, Tyson and Daren had a great relationship, describing it as respectful and professional. At times, Tyson felt frustrated when Daren wouldn't take time to explain some of the processes that were involved in estimating, because of Daren's hands-off leadership style. A few conflicts between Tyson and DRYCO management had emerged, but overall Tyson had good working relationships with coworkers. Several interviewees described Tyson to be hot-headed, emotional, passionate, and perseverant, but at times too reactive and excitable (S. Young, personal communication, April 8, 2013). Some interviewees indicated that when he was in disagreement with coworkers he was a little too rough and in some situations arguments escalated to the point that ended up being resolved by management rather than the parties involved in the conflict. Unlike many of the younger employees at DRYCO, Tyson did not have a college degree and he felt that others had an advantage over him at DRYCO. They quickly learned the company's processes and used the construction and managerial tools they had learned at school in their day-to-day job. He couldn't help but wonder whether or not a higher education degree would have helped him in the right path toward successorship.

Succession planning was not a topic he liked to discuss with anyone and it made him very uncomfortable. This was because he had many uncertainties about his own career growth

May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

and future development at DRYCO. Tyson felt succession planning was not as urgent as many other key employees and family members thought, as he had the feeling that his father had about ten more years to think about it. Numerous family and non-family members saw Tyson as one of the top inside candidates to succeed Daren, but they thought that his lack of business experience and personality were holding him back. Others believed that Tyson was starting to gain valuable business experience and in the near future he would be considered the first choice to succeed Daren.

Skyler Young-DRYCO's sales intern. Skyler, the youngest of the Young family, started learning all aspects of the field work with his brothers during routine visits to job sites at a very young age. In the summers of 2009-2010, Skyler worked at DRYCO in the sealcoat division. A year later, he also worked in the concrete division. After that, he left DRYCO to pursue other career opportunities and he gained experience in other areas while attending college. For example, he worked for an electrical company as an office assistant learning basic accounting and processing accounts payables/receivables. Then, he moved into the food industry to become a server, a job that helped him learn to deal with difficult customers.

In 2013, he returned to DRYCO after one of the managers expressed that he should join the sales team. Eventually, his interest in the company grew and he began to believe he could potentially have a solid career in the family business. He wanted to learn all aspects of the business from sales to operations and finances. He briefly discussed his plans with Daren and other executive managers whom supported him and he focused his education on what could help him make his goal a reality. Skyler considered himself levelheaded, cool, and calm, which coincided with other people's views. He believed that in order to be intelligent you had to be able to look at things as how they were. One of his favorite quotes was: "Intelligence is measured by one's ability to hold two opposing arguments in your head without choosing a side." When asked about the urgency of succession planning, Skyler indicated that he thought there was already a plan for it. Many inside the Young family and DRYCO management began to view the combination of Skyler's college and work experience as a path to accelerate his management growth and CEO potential.

Stephan Saisi-DRYCO's estimator and project manager. Steve joined DRYCO part-time in 2005 and in June of 2008 he was hired to work full-time as an estimator. He had a college background in construction and solid performance record at DRYCO. Some employees believed Steve was what an ideal estimator should be; he was results-oriented and he consistently proved to be one of the top performers. These attributes made him one of the top CEO successor candidates. Steve did not think succession planning was urgent because everyone was young and busy trying to bring in business to be successful. Nevertheless, he alluded that someone in the company should be thinking about succession in case something was to happen to Daren.

Ryan Saisi-DRYCO's estimator and project manager. Ryan joined DRYCO in 2002 and had more professional experience at DRYCO than his brother Steve. Ryan also had college training in construction and he maintained great performance ratings in all jobs he filled at DRYCO. He was also more outgoing, emotional, and fun-loving than his brother, Steve. Several employees also considered him one of the top candidates to succeed Daren because of his personality, which was similar to his brother and his leadership style. Ryan thought that Daren already had a succession plan in place or at least, if not, Daren had a feeling who he would like to succeed him.

Stakeholders' Views of Successorship

The overwhelming consensus of all interviewed was: "succession planning at DRYCO is not urgent, but it should be." Stakeholder interviews indicated there were two distinct aspects to succession planning that influenced each other as they discussed the top candidates to succeed Daren (Appendix C). One component was the succession "process" that included items such as the time period, selection criteria, and methods; and the second component was the selection "decision" that included Daren's evaluation of the best CEO candidates that resulted from the process. Daren felt that he supported the development of all employees and he wanted the CEO succession to be transparent and fair (D. Young, personal communication, January 23, 2013).

Views of the succession decision process. The interviews reflected five major themes or criteria in priority order that stakeholders used to discuss the CEO decision (Appendix C). The priority or importance of each process criterion was determined by the number of times it was mentioned and the level of the individual in DRYCO's hierarchy and ownership structure that used each criterion.

The planning time horizon. Several time windows for his retirement came to mind as Daren thought about executive members of his company that would soon be considering retirement and he thought about replacement of them in the business. He believed that timing was a key planning factor and perhaps one of his sons would be ready in five years and all of his kids and Ron's kids should be ready in ten years (D. Young, personal communication, January 23, 2013). Another important time consideration was that he planned to review his Will & Trust in the next three years. This time factor forced Daren to think about CEO succession earlier than three years because of a possible 90% stock inheritance issue in the event of an early demise scenario. Thus, he believed that any succession planning needed to involve several time horizons rather than the single 5-10 year decision window he mentioned in an earlier CEO succession discussion with Ron.

Family membership and relationship. Daren did not believe a family member should automatically become CEO of DRYCO but he did not want a plan to preclude it (D. Young, personal communication, January 23, 2013). Sandra believed that family estate planning and succession planning were automatically linked and Daren needed to start thinking soon about succession planning and training his future successor (S. Young, personal communication, April 8, 2013). However, equally important to timing was her feeling, she did not want non-family members to run the company over the long term. In the back of Sandra's mind, she wanted all her kids to be associated with the business and wondered whether it was still possible. She strongly believed that an advisory committee board was useful and necessary to guide Daren through the decision process and thought his CEO-coach could also help him with succession planning and execution. Sandra sensed the urgency of the topic and many times she had wished they had spent more time figuring it out and preparing for the process. In addition, the uncertainty of not having a succession plan in place created tension and

May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

conflict among family members. Succession planning had been a topic they discussed a few times with their attorney. Even though no major changes had been made to their estate plan, they briefly discussed revising it to give each family member shares according to their involvement in DRYCO. Sandra indicated that no changes were made and the kids would inherit the business equally and they needed to start working together now. Non-family member employees assumed Daren's family had priority over them for CEO succession.

Level of industry, company, and other work experience. Sandra felt that all her kids lacked business and managerial experience; skills needed to aspire to more executive level positions at that time. The Young's oldest son, Tyson, had gained valuable industry work experience and everyone believed he was a potential candidate to succeed Daren. He had more DRYCO experience than their other kids and his work history and job performance was discussed in the potential CEO candidate section. The Young's only daughter, Jillian, worked full-time at DRYCO for two years (2006-2008) in sales support right after she finished college. In addition to her job tasks in sales, she also helped with accounts payable. During the short term she was involved in the company as a sales assistant, she demonstrated a strong interest in finance and moving into managerial positions. Early in her career, she would have liked to be trained to be the controller or at least moved to HR. She got along with other employees but had different set of opinions with Daren. Since she didn't think she could build a career at DRYCO, she moved to another construction company to work as an office manager. In 2013, she decided to quit her job to become a stay-home mom. The middle son, Hunter, like his brothers, started to work for DRYCO during the summer in the sealcoat division. Despite his short period at DRYCO, in the long term (three or four years), Hunter saw himself returning to DRYCO to work in marketing and taking a few college courses in the subject. As previously mentioned in the potential CEO candidate section, their youngest son, Skyler, had prior summer work experience at DRYCO, had experience in the food and electrical industries, was a college student, and recently worked at DRYCO as a sales intern.

Leadership, personality, and management style. The interview results in Appendix C focused on Daren's leadership but Stakeholder leadership interview results, Appendix D linked leadership to succession planning. Appendix D showed that leadership embraced the importance and time aspects of succession planning. The potential CEO candidate section implied DRYCO employees believed both of Ron's sons but especially Ryan had the proper leadership style, temperament, and personality to be CEO. These styles were strengths of Skyler but areas that Tyson needed to improve.

Level of interest in the CEO job. Everyone was aware that a good candidate might not seek the CEO job but they considered interest as an important "tie breaker" criterion. Daren believed passion or interest was an important CEO success factor. Daren was unsure about Rafael's interest, but he thought long-term employees such as Rafael, who knew the company inside and out, should be considered because Rafael also had 10 % stock ownership. Lately, all of Daren's kids had expressed an interest in managing the company. Several of the new employees including Ron's sons also had top management aspirations.

May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

Views of the succession decision.

Although it was clear that Daren would make the final succession decision, others had influence over him. Company outsiders such as Daren's CEO associates and CEO-coach influenced him concerning the importance and urgency of succession planning. However, long standing employees such as Rafael, Ron, and his wife, Sandra, had more influence on his decision process and views about who should succeed him as CEO. In an emergency situation, Ron thought DRYCO would have to look for an outsider to run the company until the younger generation had gained more business and strategic experience. Some envisioned Ron, Dave McLeod, or an outsider as potential CEO candidates, but very few considered them as a long-term CEO. Few except Daren viewed Rafael as a potential CEO candidate. In his gut, Daren believed there were only four serious candidates for the next CEO; Tyson, Steve, Ryan, or an outsider. Daren did not see anyone in-house with the experience across all company functions, flexibility in leadership style and enough industry contacts to immediately take over. Family and non-family members agreed that the Young family members would be selected over non-family members. Non-family members thought that Daren's older son, Tyson, was the most likely long term CEO successor. Sandra believed there were a few family members who could be strong candidates to succeed Daren in a few more years, but no one had the leadership skills needed to replace Daren in an emergency situation. In fact, Sandra believed all her children had potential to be groomed as CEO but their youngest son, Skyler, had the most potential to do a good job early on because he was a fast learner, he had outside work experience and similar leadership and temperament as Daren. Additionally, she believed Ron's sons; Steve and Ryan had a better combination of interest, style, recent experience and longevity than other non-family DRYCO candidates.

Daren thought about the best method he should use to get these younger candidates ready to take over and the best process to follow in making the decision, but he had not made up his mind. The interviews summarized in Appendix C indicated family and non-family members agreed that in the longer term, they wanted the next CEO to have similar core beliefs, traits, and customer orientation as Daren. Moreover, the Appendix C interview data hinted that Daren would most likely use the five criteria mentioned in the previous decision process discussion to decide the best candidate to succeed him in the long-run.

Leadership at DRYCO

The company background discussion pointed out that Daren's introduction to the PCM industry was associated with numerous business crises (Appendix A). These events showed his early approaches to management and leadership were closely associated with both avoiding and handling crises and success was largely based on his gut instincts. When DRYCO was founded, Daren maintained a close reign on all aspects of the small business until his wife, Sandra, took over some of the office tasks. This hands-on, task oriented approach helped Daren to move his start-up PCM firm from losses to revenue growth and sustained profitability. After Sandra stopped working full-time at the company, he delegated a bit more and turned over the accounting, human resources, and office duties to several new employees. As DRYCO grew in size, Daren continued this hands-on leadership approach and seldom delegated important customer oriented tasks until he hired Ron Saisi in 1992.

Daren slowly began to delegate important tasks to others, developed a more hands-off leadership style, and spent more time on strategic issues and building customer and industry relationships. He started to demonstrate leadership in the PCM industry and sometimes led monthly meetings of a small number of industry CEOs. These CEOs discussed topics pertinent to their companies and they helped each other to develop as leaders. Daren's leadership style evolved to include a mixture of his new participative and hands-off leadership approach along with his previous crisis and task oriented styles. Daren understood leadership; management and personality styles were different, yet related. He believed the "mixed" personality and management style results he received from two assessments presented by a consultant at a meeting ten years ago, reinforced his view that he used a situational leadership style (D. Young, personal communication, January 23, 2013). In recent discussions regarding leadership style with his CEO-coach, Daren recalled a role-playing exercise at one industry CEO meetings where he was asked to provide specific examples of his leadership style. In this recent role-playing exercise, Daren recalled that he said:

> I had to be task-oriented and hands-on the first three years of the company and in every recession for DRYCO to survive. In my gut, I liked to be a straight shooter with everyone and get things done but some folks thought you were a "jerk" when you use this approach. I have learned to back off a bit sometimes and ask them what they think about things. Participation is great but some people do not have the right experience or see opportunities and sometimes you need to get out in front of things. I did this when I started the fence, concrete, and public works divisions at DRYCO. My decision to expand to a second site in 2009 was a situational leadership approach.

Daren realized that his mix of styles that evolved decision by decision over the last twenty-eight years had helped his company to survive and enjoy success. In March 2013, Daren and nine family members and DRYCO employees were asked to describe Daren's leadership style. Most stakeholders provided a clear consistent description of his traits, but others varied (Appendix C and D). All participants described Daren as hard-working, goal-oriented, fair, and honest. Newer employees viewed Daren's approach as "inspirational and participative" while more experienced employees viewed his approach as "mixed or situational."

As previously stated, Daren concluded CEO succession planning was part of his leadership role after receiving advice about the value of succession planning and numerous reflections he had about past company and personal events (Appendix A). Most participants in the authors' DRYCO interviews agreed that leadership should be related to succession planning at the firm, but their views were not consistent regarding what leadership style was needed to start the process or make the selection decision (Appendix D). Daren was convinced that several factors would influence the leadership approach that would be most effective for succession planning at DRYCO but the decision timetable would influence his decision more than other factors (D. Young, personal communication, January 23, 2013).

Focus Summary

After the March 5, 2013, session with his CEO-coach, Daren Young reassessed whether the succession decision process or selection of his successor was more important than his leadership

May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

in other business areas. He knew in his head and gut that succession planning was important and his premature demise could create a succession crisis, but he was not yet convinced that it was urgent. Young felt he had ample time to develop an effective succession plan that respected the interests of himself, family members, other potential successors, and DRYCO. However, Daren worried that if he used his three-to-ten year decision window to develop a formal succession plan; he would run out of clock time like his favorite team did in the narrow 2013 Super Bowl loss. On the other hand, if he decided an earlier start to succession planning was needed; he wondered whether the decision process was more important than his CEO succession decision. Daren knew from past experience that time would pass quickly and he wondered how to best balance family, the business concerns as well as his various decision time windows. He also felt that this time around he couldn't rely only on his gut level crisis handling instincts. If you were Daren in March 2013, what leadership approach would you take concerning succession planning at DRYCO, what criteria would you consider to use in selecting your potential successor, and how would you compare your best CEO candidate to the best candidate of other stakeholders?

May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

References

Daniel, A., & Ravulapati, R. (2009). DRYCO Construction, Inc. Tactical marketing plan.

Davis, J.A. (1982). The influence of life stage on father –son work relationships in family Companies. Doctoral dissertation, Harvard University.

Handler, W.C. (1994). Succession in the family business: A review of the research. *Family Business Review*, 7(2), 133-157.

Hegeman, K.Y. (2012). *Succession planning-5 key elements*. Retrieved from: http://www.forconstructionpros.com/blog/10837525/succession-planning-5-key-elements

Heydorn, A. (June, 2007). Family oriented DRYCO relies on loyalty and processes to maintain job quality. Pavement maintenance and reconstruction magazine.

IBIS World. (2013). *Industry report 2341 a February 2013: Road & highway construction market research report*. Retrieved March 20, 2013 from http://www.ibisworld.com/industry/default.aspx?indid=1920

Interlocking concrete pavement institute. (n.d.). *The segmental concrete pavement industry. History of segmental paving*. Retrieved from: http://www.icpi.org/theindustry

The American Road & Transportation Builders Association. (2013). *The 2013 U.S. Transportation Construction Market Forecast*. Retrieved March 20, 2013 from http://www.artba.org/article/state-reports/

May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

Appendix A

DRYCO Construction Inc., Company Events and Milestones

Date	Sales (in M)	Events
1978	N/A	Daren worked as a mixer operator in the seasoning industry while his father returned to work as an estimator in the paving industry for a company on the Peninsula that specialized in driveways and tennis courts.
1979-1982	N/A	His father returned to work in the paving business and formed his own company, "Claude L. Young Company" CLYCO. Daren joined CLYCO in 1980 when things were going good for his father. High interest rates (16%) in 1982 caused a downturn in Corporate pavement business. After things turned bad, they returned to the Peninsula and tried to make it in the driveway and tennis court pavement business. The father's health began to fail and the business struggled; therefore, he suggested that Daren get his own license and start his own business. Revenues from his father's firm were insufficient to keep employees fully paid and payroll taxes up-to-date. In order to stay afloat, his father often "came up short" in one or more of these two areas. Daren would sometimes go months without a paycheck.
1983	N/A	Daren went to school to get his general contractor's license and began to pay off outstanding debt owed to his father's suppliers on a cash basis. He cut deals with his suppliers where once he paid them off, they would extend his new company credit terms.
1985	$0.75	Daren earned his general contractor's license and established his own pavement business named "Daren R. Young Company" with limited personal funds and credit extended by the suppliers that he previously paid off in cash. His father ran the office and estimated. He taught Daren the business and shortly thereafter his wife came to work there in the accounting side. Daren focused on learning estimating and working in the field while a former employee of his father's business, Rafael Torres, ran the field crews. They hired day labor and used Raphael's friends and family members as their pool for labor as they grew.
1988	N/A	Daren incorporated the driveway contracting business as a C-corporation, changed the company's name to DRYCO, and named himself CEO. He gave a loyal employee, Rafael Torres, 10% ownership and named him VP. DRYCO took off and transitioned to a commercial pavement maintenance contracting company.
1992	N/A	Daren hired his first professional estimator Ron Saisi.
1998	$13	Daren continued working as an estimator as the company grew from strictly a driveway contractor to a commercial concrete and pavement maintenance contractor. His customers were owners, property managers, and general contractors. Daren had 2 paving crews, a sealcoat crew, and a concrete crew headed by Bob, Ron Saisi's brother-in-law.
2000	$19	DRYCO became a 125 employee full-service pavement, concrete, and pavement maintenance company. The rapid growth led Daren to more hands-off management and he focused on strategic planning, marketing, and building relationships.
2002	$16	The Dot.com bust reduced commercial work and DRYCO's sales dipped.
2003	N/A	Daren refocused DRYCO on internal business processes and exceptional high quality customer service that had begun to slip as the company grew, and he returned to more hands-on management.
2007	$24	The paving industry slowed down due to the housing market woes. Daren improved internal productivity of the firm with new software, conserving cash, and improving external operations through recycling materials and standardized estimating procedures.
2008	$24	Daren sensed a downturn in his business based on the beginning of the US recession and he began to reduce operational expenses.
2009	$18	In an effort to increase sales, Daren decided to expand DRYCO by opening a site in the central valley in the depth of the recession.
2011	$26	Daren began to think about a succession plan because his oldest son had worked in the company full-time since 2006 and other family members had worked at DRYCO part-time. Ron Saisi's had both his sons estimating for the company and they along with Daren's son were top performers. He thought he should consider Rafael Torres, who knew the business inside-out and helped him to start DRYCO, but Daren was unsure about his ability or interest in the CEO role. Daren and Ron thought about legacy and transition over the next ten years and several of the new employees, including the sons, appeared to have top management aspirations.
2012	$27	DRYCO grew from $13M in year 1992 to $27M.

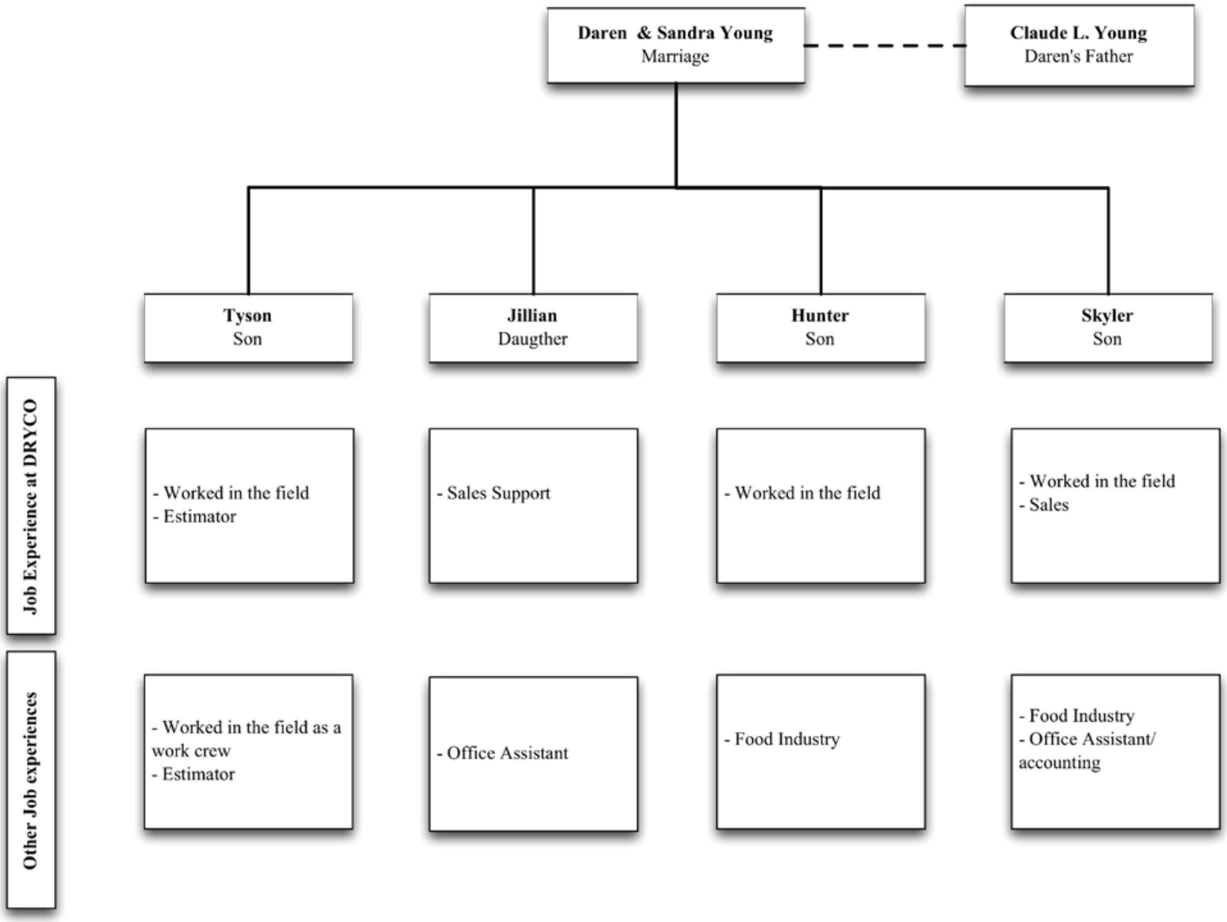
Source: Heydorn, 2007; D. Young, personal communication, December 22, 2011; DRYCO's Construction Inc., Financial statements and accountant's report, 2012; R. Saisi, personal communication, April 5, 2013.
M= millions; N/A= no information provided; VP= Vice President.

Journal of Case Studies
www.sfcrjcs.org

May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

Appendix B

Young Family Tree.



May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

Appendix C

Stakeholder successorship interview results.

Name	1. Ideally what/when/ who should determine the future ownership of DRYCO?	2. How urgent is DRYCO succession planning?	3. Who are your top three candidates to succeed Daren as CEO? First choice?	4. How do you think Daren will prepare future leadership?
D1	I've thought about it but I am not ready yet. Perhaps I could start in 3-5 years	Not so urgent	The three top performers today are potential candidates; but I have more kids who may have top management aspirations	I may ask my CEO-coach to help
I1	He should think about it now; he should start as early as possible	It is urgent	Temporarily David McLeod; then Tyson	
I2	I don't know	Not urgent	Now, there is no one; Later, in a few more years maybe Steve or Ryan	
I3	He should start as early as possible	It is very important; it is becoming more urgent	First an outsider; In 5-10 more years, Steve as a first choice; then Ryan and Tyson	I don't know
I4	That is Daren's decision. He may have plans already. Daren knows who he has here and he would like to be someone internally	Not urgent; at least 10 years. It is not a one to two year planning issue	If it happens tomorrow Dave and Ron In 10 years from now, first choice probably Steve; then Ryan and Tyson	Daren will take a couple of years to nurture the person(s). He will make it a smooth seamless transition. He will make sure to give the person all the tools to be successful
I5	Since Daren started the business and he is CEO, he alone should decide	Not urgent	Ron Saisi now and in a few more years Tyson	No idea
I6		It is urgent	Right now Sandra, Ron, Dave. In a few more years Tyson, Skyler	
I7	It is not my place	It is urgent	Now: Sandra, Rafael In a few more years Tyson, Skyler	He would mentor that person
I8			Sandra, Dave Henke (another executive manager), and Rafael	He would mentor that person
I9			In the short term Ron, Tyson, and Dave McLeod In the long term Tyson, Skyler, Dave McLeod	

(D) Refers to Daren's self-ratings of his leadership approach.
(I) Refers to family members and employees who are not family members.

May 2014, Vol. 32, No 1, p. 93-108
ISSN 2162-3171

Appendix D

Stakeholder leadership interview results.

Name	1. What are Daren's leadership strengths?	2. What is Daren's leadership style?	3. How is leadership related to succession planning?
D1	Straightforward, honest, goal-oriented, fair and looks ahead	Task oriented and people oriented	Important and becoming more urgent and through careful planning
I1	Integrity, generous, calm and caring	Mostly Authoritative	Important and urgent and through delegation
I2	Compassionate, protective and communicates well	Task-oriented, figure it out on your own	Important but not urgent and through training
I3	Honest, ethical and good decision - maker	Straightforward, passionate and committed	Important and somewhat urgent and through delegation
I4	Professional, goal-oriented, by example and coaching	Engaging and Participative	Important but not urgent and push others but not to the limit
I5	Business knowledge, work ethic, goal-oriented, personable and good motivator	Mixed and hard to define	Important but not urgent and no one item stands out
I6	When making decisions, he made them to benefit the strength of the company to be favorable to everyone in the long run	He led with his heart	
I7	He believed his employees are the best employees he had ever had. He led by trust	He let you do the job you think you can handle	
I8		Old school, traditional.	
I9	He is always there for his employees to help them out. He wants everyone have the chance to succeed as he did. When you know you let him down it doesn't feel good.	He is stern but loving.	

(D) Refers to Daren's self-ratings of his leadership approach.
(I) Refers to family members and employees who are not family members.