

Planning a Smooth Succession- a case study

The thought of putting a succession plan in place dawned on Bill Darley, when several years ago he woke up in a hospital bed after an emergency triple bypass surgery. Bill Darley of W.S. Darley & Co, USA. was a second generation promoter. His father died when he was only seven years old and the ownership passed on to his mother. After his mother's death, the company came into the possession of Bill, his brother and one of his two sisters (other sister sold her shares). As relationship dynamics among them were favorable, they did not face a problem, when Bill ran the company. However, with the third generation stepping in and more than one of the cousins being interested in running the business, Bill foresaw a potential family war after his demise.

Bill knocked the door of the academic world to explore available best practices. He became a member of the Family Business Centre at Loyola University, USA. The learning that Bill and his family members received from there inspired them to create a Family Council and a Family Constitution.

Bill, next, picked up three most deserving candidates from the third generation; two of his five sons and his nephew. He created an executive committee comprising of the trio. At first, he asked each of them to present a plan for the future. But when they did so, he was unsure whom to choose as the next in line. He was afraid of straining the relationships in the third generation by picking the successor himself. To resolve this dilemma, he asked the three to decide among themselves who would come to the helm of the company.

The three candidates were initially given two years to decide. They spent a lot of time discussing the possibilities. It was decided among them that all three of them would act as chief operating officers. They also decided on money. However, they could not come to any conclusion regarding who would be the primary spokesperson to the company. A new deadline was fixed for them decide on the same.

The intense but informal discussions among them helped them to realize each one's strengths and orientations. Close to the second deadline, Bill's nephew realised that his inclination was more towards operations and decided to drop his name from consideration. The three finally decided that the younger of Bill's two sons was the best candidate to become the president. Therefore Paul Darley, youngest of Bill's 5 sons was chosen to be the President and chief operating officer. Each of the other two candidates would hold the title of executive vice president and chief operating officer. The decision was intimidating to the company and the family. As all three of them were convinced and satisfied with their judgment, it was easy for the family to accept this new development.

Bill Darley's initiative to find his successor demonstrates a possible approach to resolve the succession issue in an amicable and effective manner. On one hand it has ensured that the company is in able hands; on the other, it has nullified the possibility of future family feuds. It has helped the family business to grow and the family to retain its unity.

***Professor Ram's Note:** Bill Darley stepped down as the CEO on January 19, 2010. Bill will remain the Chairman of the board. He is succeeded by Paul Darley, who is the President and CEO, effective from January 1, 2010.*

(Source: Summarized from an article with the same title by Margaret Steen and published in Family Business, summer 2009.)