



AN INNER CIRCLE CONVERSATION ON **FAMILY BUSINESS**

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with LOUIS JACOBS and JEREMY JACOBS JR.



ALL PHOTOS: JIM COURTNEY

Delaware North's Louis Jacobs, left, and Jeremy Jacobs Jr. talked about succession planning, their father's leadership and the company's commitment to Buffalo during an hour-long conversation with Business First's Jack Connors. They are co-CEOs of the \$3 billion company along with their brother Charles.

The family business

DELAWARE NORTH CEOS IDENTIFY WITH BUFFALO

Delaware North could be headquartered anywhere.

Yet the hospitality, concessions and sports giant has stayed true to its Buffalo roots.

That's why it spent more than \$50 million to build the Buffalo headquarters. The project followed Uniland Development's \$120 million investment to construct the 12-story structure, appropriately named the Delaware North Building.

Besides the company headquarters, the glass building at Delaware Avenue and West Chippewa Street

has two restaurants, a Westin hotel and offices.

"It's the first time we put our name on the side of a building," said Jeremy Jacobs Jr. "Buffalo is not where we are but who we are. We really wanted to be here."

Two years ago, brothers Jeremy Jr., Louis and Charles were named co-CEOs by their father, Delaware North Chairman Jeremy Jacobs. They follow their father and grandfather as the only CEOs since the company was founded in 1915.

"It had been in the works for a while," Louis Jacobs said.

"But it wasn't a birthright," Jeremy Jacobs Jr. said.

All three brothers had to prove that they were ready for their new roles.

And they did just that.

"It was a bit of a process," Jeremy Jacobs Jr. said.

With more than \$3 billion in annual sales, Delaware North interests range from landmark hotels to retail and concession operations in worldwide destinations. The company also has holdings in hospitality, sports and entertainment.

— James Fink

► **Just over two years ago, both of you and your brother Charles were named co-presidents as part of the succession plan. Was that plan in the works for a long time?**

LOUIS JACOBS: It had been in the works for a while, certainly a few

years. We take a lot of pride from the company having only two CEOs for the first 100 years, the first one being our grandfather and then our father. So it's an important role we take seriously.

► **What precipitated the timing of the change?**

JEREMY JACOBS JR.: You really have

to go back. Dad took his time. He put it in our laps and said, "This is what I'm thinking. I have two titles, I don't need them both and I'm thinking about making that change. You tell me what it looks like." A lot of working, a lot of thinking went into how this relationship would work, how we would work together before Dad got comfortable and said, "Yes, I see it and it's going to work." It wasn't a birthright; it was something

that had to be earned and proven and mapped out and thought about and argued over and then thought about again and drafted. It took a lot of time before we got the right solution.

► **How old were you when you started working for the company?**

JEREMY JACOBS JR.: We both worked at Deer Ridge Farms when we were teenagers. As we went through college, we both had summer jobs. My first was Melody Top Theater in Milwaukee. I was co-manager of a small unit.

LOUIS JACOBS: I started out at Buffalo Raceway so I was working in the mutuel line. It's a little like saying: When does a business start? It's a family endeavor, you're working, it becomes part of your identity. So we had countless summer jobs; some paid, others not so much. It was very much part of our identity growing up that this company was part of our family.

► **When you left college, did you work anywhere besides Delaware North?**

JEREMY JACOBS JR.: I have a story I love to tell. When I was graduating from college, Dad called me upstairs. It was a few months before I graduated and he always did this routine. He would look at you and say, "As much as I'd love to, I can't give you a job. You have to go out, find a job of your own and understand what it means to have your own boss, a job you can get fired from." So I ended up working at PaineWebber in their money markets. That was his design. He said, "You have to do it on your own before I can give you anything."

LOUIS JACOBS: Similarly, I had a brief stint at Bear Stearns ... And they were great experiences. I mean, again, back to the sense of identity that was always here in the family company, was very much present in the family growing up.

► **What was your first job at Delaware North after you left your other employers?**

JEREMY JACOBS JR.: We had just acquired the Sky Chefs in the airport. We were calling concessionaires based in Dallas and (Dad) wanted

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me down there, he wanted me to know that business. So I worked in their development group with some real characters and learned quite a bit. When I graduated business school, I ended up in the Newark airport, which was an interesting experience. Dad came to visit one day and I gave him a tour of the airport. Whenever somebody from corporate came, we took their briefcase and we put it in the storage room behind the concession facility. I took his briefcase, we walked away and some man came up and said, "I think my briefcase is back there." Our supervisor gave him the briefcase. So basically I was responsible for Dad's briefcase being stolen. We spent a lot of time with the New Jersey Police. Those are some of the things you never live down.

► So there was a definite procedure put in place after that?

JEREMY JACOBS JR.: For me, I never let go of the briefcase.

LOUIS JACOBS: Certainly one of my earlier mentors is Stan Phillips. Stan was a legend around here and he started working for our grandfather back in the early days. At the time we

► CLOSER LOOK AT THE SERIES

The conversation with Jeremy Jacobs Jr. and Louis Jacobs took place at the Patina restaurant in the Delaware North building and is part of an ongoing series of discussions with business leaders.

Throughout the year, decision-makers from diverse Western New York industries meet for discussions moderated by Business First journalists.

Excerpts from the conversation are published three weeks after the event. Upcoming topics include healthcare and workforce development.

The discussions are sponsored by Hodgson Russ LLP. Other discussions in the series are held at the law firm's Pearl Street offices in Buffalo.

were the largest pari-mutuel operator in North America and Stanley was responsible for that group. He went to Dad and said, "Jerry, I'd like to teach one of your kids the gaming business." And Dad said, "Take that one." So I basically followed Stanley around for a number of years. He was a very important part of my life.

► Let's talk about your grandfather and what you remember of him.

LOUIS JACOBS: That's an easy question. I was born in 1964, he died in 1968, so I have no recollection of him. But I certainly remember going to the office above Dekdebrun's Sporting Goods on Main Street. Dad always worked weekends; it was the way he was wired. So Saturdays and Sundays, he would take us along. We'd go to help the guys restock

the vending machines and wander around the office. I remember his office very well. He always had a little bed in his office. He worked incredible hours, my grandfather, and subsequently my father when he took over in the late '60s. That's part of the whole legend of the business was the way he would be in meetings and work until late in the evening and lie down, get a couple hours of sleep and get back up and continue.

JEREMY JACOBS JR.: Most of my knowledge about Grandpa is based in lore. There's a lot of it, as you can imagine. He didn't drive. My dad would typically drive him to and from work. He'd stay up; he'd call every client. And so if he had a West Coast client, he would stay up and talk to them at the end of their day to see how things are going. So the early days set the culture of meeting the client and building the relationships all came from him.

► Your grandfather would call his clients and your dad met with all the managers on a regular basis. How does that help keep people motivated?

LOUIS JACOBS: Dad really drives the culture of the business and the way we approach everything. His is usually the first car here in the morning. He still works long, long hours so that persuasive approach to business is very much a part of the fabric of this place. He will take the liberty to speak to anybody and everybody about what he thinks can contribute from his knowledge of what's going on in the place. So for new folks, it takes getting used to. The chairman is just as likely to pick up the phone to St. Louis baseball and say, "What's going on there?" But it is an attitude. He's very much grounded in the business and is likely to talk to anybody in the building.

JEREMY JACOBS JR.: What's interesting about him is he doesn't tell us what to do; he doesn't make decisions. But he sure shapes our thinking and he pokes and prods in a way that nobody else can. And really, what he's trying to discern, Monday mornings when he's going after the

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president of a subsidiary, he wants to know if they know. He's not so much interested in the actual question and the answer as he's looking to see whether they focused on the details at the level they need to in order to make the right decisions. It's a really powerful impact on the company. It all starts on Monday morning when he starts asking questions to make sure everybody is thinking the right way.

► Does that help managers have a sense that they can run their division like it's theirs? That they're responsible but they have the freedom to make sure that goals are met?

JEREMY JACOBS JR.: I would think they do. The truth of the matter is, they would have the sense of ownership, sense of responsibility and these freedoms to make the right decisions, but they're also accountable.

► Years ago, there was no company in Western New York over \$1 billion. And now your company has grown exponentially. Was it difficult to find talent to help move the company forward?

JEREMY JACOBS JR.: You touch on a very, very important topic for us. We went from a billion to \$3 billion very, very quickly and that pace has not changed. We have to learn how to be a bigger company. That's a whole different management style and a whole different organization when you get to that size. So Lou and I really felt we needed to build a very strong group of executives who were capable of managing at a higher level, a higher degree, and where any one of them could be a potential successor to us. We embarked on a process of identifying four positions: CFO, chief administrative officer, a chief development officer and COO. And we have, as of just about two weeks ago, filled all positions.

► What were some of the challenges as you moved toward two years-plus of being co-CEOs and running this \$3 billion company?

LOUIS JACOBS: We're custodial of the corporate capital and the corporate capital can take a lot of forms. Obviously one is financial capital, and we've been in a position to oversee the investment of billions of dollars. We talk about the

organization's intellectual capital, brand capital. The hardest and most important is the human capital element. When Jerry talks about bringing these people in, these are very accomplished people who are choosing to come here. We take a lot of pride in the fact that this is a place we can go out and recruit the best and the brightest and they want to work at Delaware North. To be able to attract those people, I think, is the most important thing that we do in any day.

JEREMY JACOBS JR.: We found that balance where we have the right people in the right places to handle the jobs. Frankly, we were carrying a lot of that work and we're not the best people to be doing that; we've hired people much smarter than us and that's a good thing. There are areas, though, that we add value to the organization that nobody else can and where we can be with clients, with partners in industry and identify opportunity and unearth growth. What we've done is play to everybody's strengths. We're very conservative. We're a family-owned organization. We don't take big risks but we do grow. We've doubled every decade. We do see growth coming and we need to be ready for it and learn how to manage for it.

► Do each of you have a favorite part of the business?

JEREMY JACOBS JR.: I ran Sportservice. I have a deep-seated knowledge of the organization and what makes it work and how it ticks. But I have as much passion for the rest of our operating companies as I do for Sportservice. When it comes to a comfort zone where I can go and know what's happening and quickly decipher where the problems are, it's Sportservice for me.

LOUIS JACOBS: My background is in the gaming, but it's important and we're very deliberate in trying to dispel that we are not two separate companies – one under Lou and one under Jerry. And if we're working intentionally to break down the silos, it works much better if other folks in the organization do the same.

► Does the chairman travel to some of the manager conferences?

JEREMY JACOBS JR.: Last year we had everybody near Buffalo so we had a Delaware North aggregated day and he did a panel and was interviewed and I can tell you, people loved it; managers loved it. I think he loved it, but we get nervous when Dad shows up at a unit, so we're not encouraging him to go to a GM conference – that's really our job. But

I know that he's somebody that they all love to hear from and they're so intrigued about. He always has these pearls of wisdom that come out and they're usually said in sort of a self-deprecating way so it's easy to accept and understand. So he's well worth having around those meetings and having a time where he can speak and can be heard.

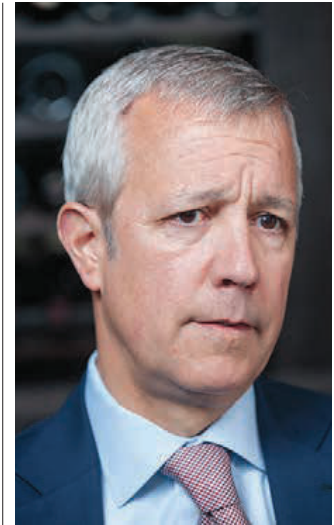
► Does he share those pearls of wisdom in private?

LOUIS JACOBS: There's not a week that goes by that you don't say "wow" because his instincts are unbelievable. We'll be wrestling with a problem and he has incredible business sense.

► Going back to the succession plan, is there still a plan in place? A formal plan for your children, for the family?

JEREMY JACOBS JR.: Dad's world was different from our world and their world is different yet again. As the company gets bigger, the needs of the company change and the needs of leadership change. So we have to be very careful how that looks. We have two moving targets: what the company needs and what the next generation is capable of. So what we told them is, "If you're interested in working for the company, notify us and we will watch and when your career reaches a point where we think you can be a productive addition to the company, you may get a tap on the shoulder." But the more important thing we're focused on is creating good owners. There's a responsibility and a behavior and an intelligence around being a good owner of a private company like Delaware North. And so we focus a lot of energy on creating a good ownership, one that's cohesive, air differences and work together so the stability of the company won't be in jeopardy as we get bigger and bigger.

LOUIS JACOBS: We have the great luxury, the great benefit, as an organization to be able to take the long view because being a family company, we're not sweating the next quarter earning statement. And that's an advantage we want to perpetuate during the next generation. Once you get beyond that premise that the company is better off by having family ownership, it makes it important to look at the next generation. It gets more complex as the company and family get bigger, but one of the fundamental advantages that this organization has is the ability to take the long view in a market that's always driven by yesterday's news.



JIM COURTNEY

Louis Jacobs' first job with Delaware North was at Buffalo Raceway.

► When you look at younger family-owned businesses, entrepreneurial businesses, sometimes it's difficult for the founder to give up control. Second generation, it becomes a little easier. Third generation, it seems that the comfort level with bringing in outside professionals is greater. Does that seem to have been true with your company?

JEREMY JACOBS JR.: I think there's some myth around what you just said about first generation, second generation, third generation. The truth of the matter is our father, in my mind, is the founder of the company because he took his small business and built it into a \$3 billion company. At age 28 he took over a business and grew it to what it is today. Sometimes I argue, "We're a second generation." Maybe we're in our kids' eyes the founders, because if we do our job right, we'll hand something over significant and larger yet again. To me, what it really comes down to is the personal identity. I think it's true for Dad – his identity is tied to this company. I know for Lou and I, it's who we are. In terms of hand over the reins or disassociate with the business, I don't know if that happens as easily or as pragmatically as one might think. But clearly, and I've seen this with other companies, when you get to a large, family-owned business where interests are dispersed and family members don't have any association with the company and it's a dividend check, it's very easy to hand it over to professional management and even to sell your interest. We're not of that size today and I can't really predict



JIM COURTESY

Jeremy Jacobs Jr. says Buffalo values are important to Delaware North.

what happens in the future.

LOUIS JACOBS: What worked in Dad's generation is quite different for us and we have to anticipate the next generation will be quite different, as well. In the old model, it was a sole proprietorship. The chairman was very much engaged and involved. Today we morphed into a partnership and we will continue to evolve into the next generation. It's a dynamic process; what was OK yesterday is quite different today and we have to be, in the future, re-evaluating everything. And ownership is the same.

► How important is the family identity at Delaware North?

JEREMY JACOBS JR.: Much of what makes Delaware North special today and what attracts interest not from customers and clients but from employees and residents that want to invest their careers here is because it's a family-owned business; you can reach out and touch that owner. We bring certain values that, frankly, don't exist in a lot of public companies today. We actually do things because they're right and because we can and not so much we're interested in making a buck. That can be frustrating for us. Yosemite National Park, we did a lot of things that cost us money that we felt it was for the health and stability of the park there. And when it came time to bid that contract out, we got no credit for that. But we'll still keep doing it that way because it's a value and culture of the company that has advantage to us and is really at the core of a lot of our growth.

LOUIS JACOBS: If there's an advantage to competing with large, multibillion-dollar listed companies many times your size, it's the

ability to distinguish yourself other than price. Of course, we're price competitive but time and time again, you're dealing in the airport space, arena space and these large, multi-national companies come in and try to apply the same model, time and time again. There's an opportunity to distinguish yourself as unique, different, and again the ownership plays a big role in that, saying it's more value driven, more quality driven and driven on things other than being the high bidder.

► Is there a board of advisers, anyone other than you and your brothers that your dad and you as a group rely on for outside advice?

LOUIS JACOBS: We have a great board of directors. We have eight outside directors and four family members who are directors of the company. We were on the phone with two of them yesterday. These are people who have distinguished themselves in various fields and we rely upon them all the time.

JEREMY JACOBS JR.: It's important that they hold our feet to the fire. They make us make decisions that we wanted to hold off on. They basically remind us of our responsibility and the strategy for the business and where we wanted it to go. I have a term I like to use: corporate owls. They are retirees of the company – Chuck Moran, Bill Bissett, Dennis Szeffel, even Rick Abramson, who has been around for 50 years. There's a fabric here in terms of how we're assisted and aided in our decision-making and how we move the company forward.

► Outside of that board, do either of you have a single mentor or a couple of people you rely on outside of that network?

JEREMY JACOBS JR.: I do; it's him (points to his brother). There's two of us and we know each other very well and we think differently. He said, "You're doing it again. Stop that." And it goes back and forth between us. That dialogue is invaluable. I think when we got this structure together, a lot of people didn't think it would work; there's only room for one star on the top of the Christmas tree. The truth is, it worked wonderfully and we are a team and we rely on each other to keep each other honest.

LOUIS JACOBS: It's important to stress that that's deliberate. We spend a lot of time talking about high-performance team building because

at the end of the day, if you're relying on a single individual at the corner office, you're not going to be as successful as you can be by having a group of people working together.

► And you call Charles when you need tickets for a game?

JEREMY JACOBS JR.: Charlie is very involved. He's in Boston so it's hard for him to be involved in every decision we make, but he's in many ways a partner in this process.

► How important is the sports division based in Boston? How important is that to the cachet of the company?

JEREMY JACOBS JR.: Cachet is a good word. If we did the math on the Bruins, we could deploy that capital better, but it's so important to the definition of who we are and how we're received and the doors they can open. It's a very powerful value to the company that you can't put a pencil to and write down the economic impact, but we know it's significant. That's been an interesting education for us because it doesn't fit our operating profile. We're a company that is based on free cash flow, and when we get into real estate investment, you're looking at long periods of time (of) money out, no cash coming back in. We're trying to figure out what the proper balance is in that piece in our overall picture, but we do know that when the two of us are long gone, that asset will be an enormous piece of the family's wealth. So it's a worthwhile investment.

LOUIS JACOBS: We've got a large footprint in certain industries. We could win every airport concession piece that goes out in the next three years and the same in the national parks and state parks and we're not going to hit our growth goals because there's not enough business out there. So when we invest in things like real estate and hotel acquisitions and some of these gaming acquisitions, we're going a little bit outside of our comfort zone. But to have something we think is potentially valuable as that Boston investment is really exciting for us because it could be an inter-generational aspect sort of thing. It's two, three generations from now, people will enjoy the money we're investing.

► This building represents a large investment for Delaware North. What was behind the decision to stay here?

JEREMY JACOBS JR.: We get asked

that a lot: Why Buffalo? Why did you choose to stay in Buffalo? And our answer is always the same: Buffalo isn't so much about where we are as it is who we are. We believe that Buffalo is as far east as you can come and still hold a lot of Midwest values as a family and a family business. We embrace those values – humility, successful business, how to manage success and avoid complicity. A good working ethic is something very Buffalo; that's why we really wanted to be here. We wanted to make a statement here in our hometown. We wanted to show that we were investing here, that we're staying here. It's the first time we put our name on the side of a building so it's important to us, and likewise it was an important image for us. We spent a lot of time celebrating our 100-year anniversary until our marketing consultant says that really makes us sound old and stodgy. That was an "aha" moment. We need to rebrand what we're thinking in terms of the future, and this building was a great statement for that. Dad will always say, "We don't make a dime in this building. There's no operating income here." We impact the business quite significantly but we make no real cash. We put \$50 million into this building, but that's how important it is for the culture and the brand and the positioning and the future of our business. We were willing to make that investment and we wanted to be in Buffalo. We wanted it to be in the center of the city and wanted to be visible and wanted to make that statement.

► So the culture that you hoped would continue and grow is happening in this facility right now?

LOUIS JACOBS: We did a bit of asking our associates what they like about this building. Certain themes came up: a lot of natural light, a lot of space for collaborative work. The building was purposely built with a lot of those things in mind. We have that constant cross-pollination of ideas. Working together is really critical. We're third-generation Buffalo guys and we've each raised fourth-generation Buffalo children. They've since went off. We both hope they come back to town, but this community is very important to us and very much part of our identity. It's the reason why Dad is involved in the universities and the medical school and the philanthropic endeavors we're engaged in. Buffalo is very much a part of who we are, and the idea when we go out and we recruit these top people from all over the world and they get excited about moving to Buffalo and potential to raise their children in Buffalo, it's gratifying.