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Interview with Joseph O'Donnell

Boston Concessions

June 2001

Interviewer: Amy Blitz, HBS Director of Media
Development for Entrepreneurial Management

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JOE O'DONNELL

The Early Years

I grew up in a solidly lower-middle-class, blue-collar area in Everett, Massachusetts. We were not poor and I always had plenty to eat. My father was a policeman. My mother was a housewife and had been valedictorian of her class. She was first-generation Italian and my father was first-generation Irish. When they were married in 1942, it was considered a mixed marriage. They were Romeo and Juliet. They raised me in an environment where education was really valuable. I went to a parochial elementary school and high school. I think anybody from an environment that's as heterogeneous as the one I grew up in, with solid parenting and a good education, has a big head start on the rest of the crowd.

I had two brothers who grew up in exactly the same circumstances as I did but neither of them is entrepreneurial. They have no interest in being entrepreneurial. I think a fair amount of my entrepreneurial tendency is DNA—more than 50 percent I suppose. I think other factors influencing me are positioning in the family and exposure to entrepreneurs. I'm the oldest among my brothers, and I think that made a difference. Also, I had an uncle who was a plumber and owned a lot of property in town. I used to tag along with him and watch the way he operated and ask a lot of questions. I think his mentoring really influenced me. It also just came naturally to me to want to control my own destiny.

Controlling my own destiny is a big theme in my life. Even as a kid, I always wanted to be more independent than I would be if I relied on an allowance for doing chores around the house. I had a paper route when I was young. In high school, I actually created a tuxedo concession. I went to the local tuxedo vendor and told him that during our prom I could rent 100 tuxedos for him. God only knows how I came up with this idea. Anyway, he threw me out of his store. As I left, I said, "Well, I'll just bring my business to Lee Elliot." Lee Elliot was a competitor in the next town over, Malden. And this guy turned me around in the street and brought me back in. For two years after that, I had a tuxedo concession in my high school—Malden Catholic. I got a free tuxedo and a couple hundred bucks. When I graduated, I gave the concession to my younger brother, but he never followed through with it.

I suppose there's a characteristic in people that directs them one way or another. I saw my father in a civil service job, which during the war was the best job you could have. He hated being stuck in that bureaucracy. In those days, being a cop was a good job and he was the judge of the neighborhood, very well respected. But he did not like being in a bureaucracy and I'm a lot like him. He was always thinking about ways to do things differently. But in that era it was very tough to be anything but what the post-war economic circumstances dictated.

When I applied to college, I was accepted by Princeton, Yale, and Harvard. I was a football player and a baseball player—all-state in both sports. As a result, I had an easy way into lots of schools. I was offered scholarships by all of the schools. After I had been accepted to Harvard, my father arranged an interview. I was interviewed by a fellow named Fred Glint, who became a

very good friend of mine and admitted probably three decades of Harvard students. The dean of admissions, my Dad, and my football coach also attended the interview, which was probably a violation of about thirty rules. I remember going through the interview and thinking that I had done well. Then Fred said to my father, "If he were my son, I'd send him to prep school for a year." I thought, "Only dumb kids go to prep school. Why would I be going to prep school?" I didn't say these things but I thought them. On our way out of the building, my father said, "Joey, take Monday off; we're going to Exeter Academy." So off I went to Exeter.

Fred had been very wise in his recommendation. He explained that a year at Exeter would help me make the transition into college. I was the first person on either side of my family to go to college, only because circumstances had been different when my parents were young. My mother still reads six books a week. Anyway, I ended up at Exeter for a year before I went to Harvard. It was the best year I had ever spent. It was a great transition to another world. In those days, Harvard was basically all male and 76 percent of the students had come from private school. At Exeter, I got a preview of what I would run into at Harvard. What I realized at Exeter was that everybody put their pants on one leg at a time and that some of the rich kids were really good guys, some were actually tough, and they had all been better educated than I had been. After Exeter, I went to Harvard for college and I was by then well prepared.

Sports were also an important part of my early education. You've heard all the clichés about sports. Almost all of them are true, in my opinion. What I learned from sports that relates most to where I am in my life is teamwork and leadership. Those are the two characteristics I developed through sports. I remember when I was a sophomore in college and I was the youngest person on our football team. The coach was addressing the team and he looked right at me and said, "This team is a chain and it is only as strong as its weakest link." If you're on a team, everybody has to pull his weight. It's the same in business. If someone falls down, whether it's in finance, marketing, or sales, then the whole team fails. I was always captain of my team—taking on leadership roles. I also wanted to be the person calling the signals. I was the catcher on the baseball team and a linebacker on the football team, so I was able to call the signals and I liked doing that.

Calling the signals in sports relates to what I do in business today. With the exception of two major enterprises, I have partners in all of my ventures. We employ 11,000 people and I delegate a lot of responsibility to all of them. I like being responsible for the team and I like being responsible for directing our various ventures.

The HBS Experience

When I got to Harvard Business School, it was three-piece suits and there were thirty-one women in the entire class, so we each had 3.1 women in our sections. And it was the first year of any integration at all. We had seventy-seven minorities. For the first time, the school was starting to shift in a more diverse way, not just in terms of color, but also in terms of economic standing and other things. There were people who were in the military, and at least half were right out of college. The demographics were very different than today, where you have nobody coming to

HBS straight out of college, and you have many more women, many different kinds of minorities, and an economic diversity as well that's very different from what it was thirty years ago.

I think the arrival of women at Harvard Business School was one manifestation of the revolutionary times in the late 1960s and the early 1970s. The thirty-one women in my HBS class were pioneers. They had to go through a lot. They were very smart women who, with very few exceptions, were weak quantitatively even though they were really bright in the humanities and the liberal arts. They suffered through that experience and it became obvious that the problem started six years back in the pipeline. Someone had to change the emphasis in early education for women from teaching home economics to teaching economics. Of course another big change was the introduction of minorities. I think there were seventy-four black males and three black women.

This was also the height of the Vietnam War. Across the river at Harvard College, it was like a revolution. At HBS, all of a sudden this three-piece suit brigade changed. In 1969, my first year, about two months into the class everything broke down in terms of formality. The professors who couldn't handle that had a very tough time. I grew a beard—me! We smoked pipes, cigars, cigarettes. It was a different place, and it was loosened up in a major way because of the times, and by the fact that the students came from more diverse backgrounds, that people like me were admitted. The school has never, ever gone back the other way. It's much more informal now and, I think, more effective.

I think a learning environment is a whole lot better when you've got an atmosphere of learning that is not beat into you. The Business School is still very competitive and the peer pressure is as apparent today as it was then, but I think the informality has been good. Also the diversity, bringing in people from all parts of the world and society, introduced different points of view. It made a major difference, particularly at Harvard Business School, where the case method relies on student participation in diverse viewpoints. People in 1969 were saying, "My God, I didn't know that world existed." The Business School was a pretty elite place and it started to change a lot. It has continued to change. I think students leave HBS better prepared to deal with the business world. I think I was very fortunate to be in the forefront of all the change that has created today's Harvard environment. The commitment to diversity continues today. In fact, we're just starting a big capital campaign that will help create fellowships for students who are excellent in every way but can't afford the tuition.

Being at HBS gave me a ticket to go just about anywhere. Everyone who graduates from the Business School gets a ticket. It doesn't mean you can stay anywhere but it sure as hell means people will look at you and give you a chance to start somewhere. HBS also shaped my thinking. Any school can teach you how to add three and eight and do discounted cash flow. But at HBS I learned how to think about a problem. I learned how to define a problem, how to think about my objectives and my alternatives. Based on that kind of analysis, I decide what the recommendation is and then I figure out the tough part, which is how to implement it. Today I can actually go through the process subconsciously because I've done it a million times. It's drilled into you at

HBS. I wasn't the Baker Scholar or the brightest guy in my section, that's for sure, but I picked up the thinking process and, in a very pedestrian way, I've learned to analyze things that way. Today, it's how I decide whether or not I want to go into a particular business.

Early Career: Founding Harvard's Student Housing Service

While I was at HBS, I started a business at the school called the Student Housing Service, which still exists except that it is now run by the university. I noticed that there were a lot of married students, particularly the minority students, who were starting school two weeks later than everyone else. They would drop in and then miss classes. It turned out that they were going crazy trying to find housing for themselves and their families. In the late 1960s, Boston was no safe haven for minority students, and it's still not today although it has improved. I thought, "These poor guys are really having a hard time. None of us can afford to take three weeks off at the beginning of the year."

Around March of my first year I had an idea for a summer job. I went to the dean and said, "Look, I have an idea and I think you could really benefit from it. If you give me some backing and the list of current and incoming students, I'll start something called the Student Housing Service and get housing for students." I told him I could run the service out of the Student Association office, which was closed during the summer, and that I would need the office secretary to work with me. I explained to him that I would send a letter out to all of the students inviting them to register with me for about fifty dollars, with the promise that I would try to get housing for them. If I actually found housing for them, then they would have to pay me about \$150. I told the dean that I needed him to give me \$10,000 to get the operation running and sign fifty or so apartments. I knew the area backwards and forwards because I'd grown up here, and I knew landlords would think, "My goodness, an HBS family living here for two years and three months rent in advance! This is great." The Dean said, "That's the best idea I ever heard. You've got it." That day he shook my hand and gave me the \$10,000.

The need was far greater than I'd imagined, particularly among the minority students. I ended up in court three different times because some of the landlords reneged when they saw that their tenants were minorities. The landlords never dreamed that the students would be minorities and I never dreamed there would be a problem. But I dug in and the service was a huge success. We took care of lots of students. I made \$8,000 that summer and the going rate for most summer jobs was \$2,500. In the end, the dean got his money back and the business solved the housing problem. I also met a lot of nice people. Nothing but good came out of that experience.

Halfway through my second year at the Business School, Ross Perot came to town. I received a job offer from him for \$26,000 per year, which was a lot of money then. I remember standing with Mr. Perot up on a balcony in town looking down at a traffic jam and he said, "Look at that traffic. All my EDS guys don't worry about traffic. They come in before the traffic jam and they leave after it." He had just done the airlift in Vietnam and other good stuff. He was an intriguing character and he was offering me a huge job. He said to me, "You're probably wondering why I'm giving you so much money," I said, "Yes, I am." He said, "Well, then, I'll tell you. It's

because you don't know anything. You're a leader and I want to mold you. You're like a guy who has never played golf. I can teach you all that stuff. In the meantime, I'm going to mold you into one of the leaders in this company." I thought to myself, "Gee, I'm dumb, but I'm going to be rich."

Then I went home and talked with my wife. I had just married. I said to her, "Well, I got a job for \$26,000 per year." She said, "Hey that's great. Where are we going?" I said, "New York," and she said, "Tremendous. What are you going to be doing?" I told her I was going to be working on EDS's two big accounts. Then she said to me, "Have you really thought about this job outside of the \$26,000? You hate New York, you don't like computers, and you don't like wingtip shoes. Are you sure you have thought this through?" I stayed up all night. She was right. I wasn't wound as tight as other HBS students. If I were going to a New York office with 100 other EDS employees and some of them were coming in at 6:00 a.m., I'd have to come in at quarter to six. I would have been a wreck. In fact, I probably would have worked less hard and fewer hours than I work now, but at least I call the shots. I called Mr. Perot in the morning and said, "Look, I made a big mistake. I'm not going to be comfortable in that job."

Unfortunately, it was April when I made the decision, so I was screwed. I was graduating and I didn't know what I was going to do. I went to talk with the dean and asked his advice. I told him I didn't want to be some corporate guy. He said, "Why don't you work for me?" He hired me on the spot, based on what I had done with the Student Housing Service. In fact, the first thing I did was take the Student Housing Service away from a student and make it a university-run service. The service was really critical and someone could have bungled it. Anyway, that's how I got my job in administration at HBS. I learned what my wife already knew better than I did, which is that when you think about taking a job, you have to think about how your skills and desires match up with the job. With the EDS offer, I was blinded by the high salary, the company's prestige, and the idea that I was going to be Ross Perot II. I really needed to ask myself, "What do I like about getting up in the morning and what really motivates me?"

At HBS, I ended up basically running the administrative side of the school. I was hired at just the right time. With all of the unrest and changes that were happening at the school, I was in the right place at the right time. If I had come in five years earlier, people simply would have given me projects to write and I would have been really unhappy. The same would have been true if I had begun working there when all the change was over. During such a revolutionary time, we were the catalysts for a hundred different student organizations. The work was totally entrepreneurial since the dean was a pretty hands-off manager. Most of the time he would say, "I'll see you at Christmas and then again in June. Go do it yourself." I ended up running a couple of executive education programs. When I worked at Harvard, I had a lot of autonomy. It was a totally decentralized operation and I liked that.

Finding the Opportunity

While I was working at HBS, my son was born with cystic fibrosis. He was very sick. The bills were unbelievable and so was the time commitment. I knew I would need to make a lot more

money than I could make working at HBS. Also, I was thirty years old and I could see that there wasn't going to be enough room for me to move around unless I became a faculty member. Being faculty didn't really turn me on. I didn't want to go through that process. I liked working at the Business School so much, but it was like a velvet trap and I knew I was going to have to leave there in the next year or two. In ten years I'd be forty and I didn't want to feel like I hadn't grown. I thought I would take a few years to figure out what kind of business I wanted to go into. Given my experience with EDS, I clearly needed to think about this a lot more than I had.

I have talked to hundreds of first- and second-year students at HBS and a lot of them are thinking, "What's wrong with me? I don't know exactly what I want to do." Even today I'm not sure where I want to end up and how I want to get there. I think that's how it probably ought to be. Anyway, I actually sat down—I'm embarrassed to say—and wrote my ideas on a legal pad. I tried to match up my personal characteristics—likes and dislikes—with the characteristics of a business. I was trying to make a compass, and I needed to know where I wanted to go first, whether I packed my long johns or my bathing suit, north or south.

I immediately eliminated a lot of things. For instance, I did not want to work for a Fortune 50, 500, or 1000 company. I wanted to work in what I thought would be a middle- to small-sized company that, in my wildest dreams, I could develop into an entrepreneurial opportunity. Wherever I went, I would have to have some impact. I also thought about why I wasn't excited about EDS and asked myself what I was good at. I came to the conclusion that I like people. I thought a small service business would make a lot of sense for me. Also, my son was sick in the hospital so I was confined to a company in New England, probably Boston. There weren't a lot of businesses for me to consider but, when I got down to it, I at least had direction.

As I was putting myself through all this analysis, I was running an executive education course at HBS, and one of the guys in the course ran the Boston Bruins and worked in the concession business. Through him, I got hooked up with a very small concessions company called Driving Concessions. I ended up spending eight or nine months with Driving Concessions, which was controlled by a very large concession company called Sports Servicing. I didn't like the larger company. It was too big and it was too centralized. What I wanted to do was run a business on my own, making my own decisions. I didn't want to run everything through a central office, which took too much time and was too cumbersome; it was an added layer that severely hindered whatever competitive advantage the company might have had.

After I gave notice, I actually ended up buying into the company because management didn't want to let me go. A year after that, I bought the rest of the company, changed the name and the focus, and built it up. My alternative—in fact, my preferred alternative—was just to go out and start a concession business on my own. I had a couple of problems with that plan: I didn't have any money; I didn't have any banking relationships; and I didn't have any customers. But I knew that if I put in enough effort, I could make it work. My wife and I used to weep about our son, the risks of starting a business, the craziness of going into this dark hole when I had all of these

responsibilities. But I think that's part of the entrepreneurial spirit—I don't think you have a choice. It was something I just had to do.

Building the Business

For the year I stayed on board with the parent company, I still had the problem of being a partner and reporting to them the way they wanted everything reported. Then we ended our relationship amicably and I ended up running my own business. I knew I could succeed in the concessions business. The characteristics of the business are reliability, honesty, loyalty, hard work, and performing a service. In a service business, it's not high tech and the differentiation lies in the person or people performing the service. Today we operate in about forty states and everybody out in the field is a direct representative of not only the company but also of our philosophy, which is, "The customer is always king and we are reliable." We do things as well as we can humanly do them.

The business is as simple as selling packaged goods in a movie theater to as complicated as running the equivalent of a five-star restaurant in a very sophisticated convention center. The range of work is as broad as you can imagine. There are only two or three variables that really differentiate you. The first variable is the people. My most valuable resource is the people who represent my business. They have to be of the highest quality and caliber. The second variable is whether or not you can perform the function, which is providing hot and cold food and the obvious things that go along with that such as cleanliness. The third variable, I've found, is the ability to provide loans to customers. My customers are in the leisure and recreation business, which is not an easily bankable business. Suppose you own a ski area or a privately owned convention center. Banks don't go near businesses like that, so I end up acting as a financing source if my customers are in a bind or the banks have shut them off. As long as I can be there for them and I don't take advantage of them, I've got a customer for life. For example, my first account was Sugar Mountain in North Carolina and I made the best deal I could for my customer. Then I saw that I made more money than he did: at the end of year I had made 37 percent and he had made 17 percent. I gave him back the difference and told him we were even. Now, twenty-eight years later, we still do business together.

Having an MBA was also a differentiating factor for me. Back then, there weren't many people with MBAs in the industry. Now, thirty years later, a lot of companies have consolidated and people with MBAs are not as unusual. Having an MBA then, though, gave me an advantage because I had an idea of how to think through problems and develop a strategy. I also understood finance. Also, I was thinking about the venture in the long term and so I had the philosophy of taking four steps forward and three or five steps back just so I could go seven steps forward eventually. For example, I always try to get long-term contracts. I still embarrass myself sometimes when I'm negotiating a contract with a younger person. I'll be thinking about a twenty-seven-year contract and the person will say, "Excuse me, but how old are you anyway? Are you sure you want a twenty-seven-year contract?" It's just in my mindset to get as long a contract as I can. So, one advantage I had was being educated, not smarter, but educated in business so that I understood strategic long-term thinking and the ability to finance.

Another advantage I had was that an experienced guy named Irving Shapiro took me under his wing and taught me the business. He had one big successful concession. He put his five brothers and sisters through school even though he, himself, never even went to high school. Irving was just out there working as hard as he could and making a lot of money. What he taught me saved me three years of research. I was lucky to have him.

As the company has evolved, leisure and recreation is the umbrella under which we operate. The trunk of what we do is the food-service business. We serve ski areas, water parks, amusement parks, beaches, convention centers, universities, and so on. The common theme in all of this is food service. We go around and try to find food-service opportunities, regardless of whether it is at a rodeo, a convention center, an exposition hall, or a water park. Many times I have partnered with someone when I find he has two characteristics: he is undercapitalized and he has great character with the potential to become a force in his business. I give money to him and, instead of term on contract, I buy equity in term and provide the food service. Effectively, my partner becomes an account for the food-service business. As a result, we've got a couple hundred accounts and we own parts of thirty-five of them.

The biggest challenge I face is achieving a work-life balance. I love what I do, so there's a danger of going at it twenty-four/seven. I have a hard time calling what I do work. It's just fun. It's like coaching a team. However, given the experience I had with my son for twelve-and-a-half years, I understand the balance part. I have two daughters right now and balance is important. Another challenge is managing 11,000 people. It's a huge responsibility. I have a very pronounced philosophy about how to manage people and do the work, and that is to operate in as decentralized a way as possible. I have to think about how to keep all my people motivated. What I think about is how I, myself, want to be treated. When I look at someone who works with me, I ask myself how I would want to be treated if I were in their position.

About three years into the venture, I started implementing my ideas. The first thing I did was to get rid of all the supervisors. I gave everyone out in the field responsibility. Autonomy is very uncommon in the food-service business, which is why there is a high turnover rate. I wanted to keep things as simple as possible. I don't have a human resources department or a general counsel and we don't have meetings. Once a year I bring all the managers together with their spouses for three or four days and we have a get-together, but that's all. In the central part of the organization, we are a support group. We support the key people, who are those in the field. I give each manager responsibility for controllable costs such as food, payroll, flowers, phone bills, white tablecloths, utility bills—to a certain extent—and the like. I also peg their salaries at about 5 percent over what any other company in the industry would pay and they can earn a bonus that depends on how well they manage controllable costs. Managers operate with two expectations placed on them: First, they have to satisfy the customer and second, they have to increase the business. It's a very simple philosophy. If they're successful, they can share in what we make off the bottom line.

The second thing I did to implement my ideas was encourage my managers to work with their spouses. We have probably fifty teams of men and women who work sixty, seventy, or eighty hours a week when their business is in season, in a ski area for example. If they're in a business with steady, year-round work, they work weekends and nights. It's tough. Almost all the other companies in this industry prohibit spouses from working together because of a control problem, such as the couple conspiring to steal the company's money. We think, instead, that if couples work together they'll be more likely to stay with us. In our company, there is virtually no turnover. We have people who have been working for us for twenty-five years. At our annual meeting, we have 150-200 people attend and when I ask people who have been with us for twenty-five years or longer to stand up, it's quite amazing. The way I treat my people is with respect. In fact, the big reward of building this business is looking at all the people I've worked with over the years and knowing that I've made a difference in their lives.

Today, we're located in just under forty states. Because we're totally decentralized, we're just the opposite of other companies in the industry. All the action in my business happens out in the field. The hiring, firing, compliance with the regulations, most of it is done in the field. When it comes in to central, we have people who process data. Technology has made an incredible difference for us. In some states, we might have as many as ten operations and we might have as few as one in another. We don't have a human resources department sorting out different kinds of filings. With the technology available, we can process the data from all over the place and turn payroll around in a minute. We couldn't have done that twenty years ago.

Acquiring Allied

Allied Advertising is a company I bought seventeen years ago. Allied places print advertising in newspapers for the studios in Hollywood. When you pick up your newspaper and look in the Arts & Film section, we have about a 40 percent share of that market. We're the fourth-largest print advertiser in the country. We have a presence in about twenty major markets. The Allied business is related to the food-service business because we supply all the movie theaters in New England, New York, and New Jersey— anywhere I can send a truck. Allied has been a very rewarding and successful venture. I think, however, that Allied has some very significant strategic issues and there are difficult decisions ahead.

The world is changing so fast, with satellites and everything being digitized. I feel a little bit like the caboosie man on the train. I'm looking hard at how to adjust to the changes and what I can do in the business, because if I don't someone else will. I'm really old fashioned and our strategy has been to block and tackle, which means that some day we may get swallowed up. The strategy hasn't hurt us yet with Boston Concessions. But it *is* going to hurt us in Allied, so we're looking at that. I think outsourcing may be the best way to deal with it. The person who runs Allied has run it for the last fifteen years so when I spend time on that business, it's to consider strategy and financing. In Boston Concessions group, the decisions about the future are much more personal. I spend all my time with the concession business. I don't think that business will change very much though, since it's pretty basic—no matter what happens with technology, people are still going to have to salt their hamburgers and eat their candy bars.

Exit Strategy

I don't feel threatened that the concessions business will lose ground. Unless the movie theaters disappear, and unless the world is taken over by Six Flags and Disney—none of which I believe will happen—there is plenty of business out there for us. What I am wrestling with, and it's an enormous challenge, is what to do with this company team, this corporate family, now that I'm looking at retirement. I could spend another ten years doing this and I may, but I don't want to be sixty-five years old and say, "Hmm, now I've got to decide what to do about the company." What I don't want to do, and what I won't do, is just sell the company. On the other hand, I don't want to linger or let the issue lie until it's too late for me to do anything constructive. That's what I'm wrestling with right now.

My big challenge is figuring out what my responsibilities are to the people who have done so great by me. I don't want to be so trite as to say, "Well, we'll do an Employee Stock Option Plan and take care of everybody that way," or, "We'll sell the company and give everyone five years." There's nobody here who can take over, and I don't know if that's my fault or not. I've toyed with the idea of bringing in a young MBA or doing a joint venture with another company. In the end, all the options become too painful to consider and I don't do anything, which is very frustrating to me. I've read books about how to manage a transition. I remember the Tensor Lamp case we studied at the Business School. The owner was the inventor of a lamp that we all used in college in the mid 1960s. He was a smart guy but he tried to manage the company and he ended up making tennis rackets and being out-to-lunch and generally screwing up his company. That won't happen with me, except that the issue is the same: How do you hand off your business? Do we just dissolve the company? We're not going to do that. Do we merge it with another business or sell it? Whatever happens, I want to know the people in the field won't be hurt. I know that when I'm gone, the culture will change. But no matter who runs this company, I want the managers in the field to remain in a position of strength because they're very good and they know how to run their operations.

Looking back, I would say we've been very successful. Our business, combined, makes about a billion dollars a year. The company works because I'm not in the middle of it all. I have a lot of employees whom I trust to do things right. Sure, I get hurt now and then but, by and large, people love their independence and do well. We've also succeeded even though or perhaps because we don't do a lot of marketing. I don't do interviews for the trade magazines and you'll never see our name on a hat or a jersey at a trade show. We don't do any of that. At its worst, publicity gives people someone to shoot at and gives other people ideas about how to take the business since they would see that this is a private company. Another reason we have done well relates to all the start-up businesses I've supported. My philosophy about how to choose ventures is to consider people, people, people. Today, I'm much more sophisticated in my judgments about people than I was fifteen years ago. I've seen really good people take garbage and make it into successful ventures and I've seen people who are not good at what they do take the best idea or the best company and bring it down. You have to be very careful about who you associate with, not just because of reputation, but also because of performance.

Lessons Learned

I did have one near-death business experience, though, and it was my own fault. In the early 1980s, all my business school partners were in the real estate business. They were saying to me, “What’s wrong with you? You’re selling candy and look what we’re doing.” So, I invested some money in real estate. My investment was probably the last really large amount of money to go into the real estate boom of the early 1980s. Everyone must have said, “Who’s the dope who just put in all that money?” I made a bigger mistake than just putting the money in. I invested a fair amount of money that, actually, I could afford to lose. But then, I signed my signature “joint and severally,” which led to me losing a lot more money. If there’s one thing an MBA student should learn if they hear this story, it is don’t sign joint and severally with anyone, unless you are prepared to take a beating.

As it turned out, the other people I had partnered with in the real estate deal couldn’t handle their obligations. They weren’t bad people; they just couldn’t come up with the money. Because I had signed the papers the lawyers had put in front of me, and I’d signed “joint and severally,” I ended up being on the hook for the entire partnership since nobody else could pay. Eventually, I was able to dig out of the financial hole I was in using resources I had from my business. But it took me three or four years to dig out of that.

Summary Reflections

I would say the chief asset in our business is our contracts, which are long-term contracts. There’s no question, however, that the critical factor in the success of my business is the people who work with me. There’s no substitute for giving all the responsibility to people and trusting them with it. We don’t make any money in our central office. All we do is administrative stuff such as make deals or finance things. It’s the people on the line—in Big Mountain, Montana or Banner Oak, North Carolina or Gainesville, Florida—who make the money. If we put the wrong person out there, we could lose money and damage customer relationships. Trusting people with responsibility has been my philosophy from the first day.

To trust people, you have to make sure you have put them in the right place. I coached a lot of baseball games at Harvard and I played semi-pro baseball. Robbie Alomar is the best second baseman in major league baseball, possibly the best second baseman ever. If you take Robbie Alomar and put him at shortstop, he’s in the minor leagues. He can’t make the throw from shortstop because he doesn’t have the range that a shortstop must have. You have to put people in the right position and that’s what I’m good at. It’s what I like to do. It’s just common sense. So our chief asset is our long-term contracts but our chief resource is our team, particularly the people out in the field.

In terms of risks for entrepreneurs, I think the greatest risk an entrepreneur can take is not knowing when to stop. The risk is that you like everything you see, everything’s a challenge, and you like challenges. You like the art of working through a problem and getting to a resolution. If

you're not careful, you'll try to do everything. If you look at my business, you might say, "Wow, you're into a lot of different stuff." I'm not though, because all the activity in my company stems from the leisure and recreation business. If you look at that range of what we do, it's actually narrow. We're in the industry of leisure and recreation. We don't cover institutional food service, such as prisons, and we don't do dining services. Leisure and recreation is high margin and high risk. It's high risk because it can be seasonal, in a ski area for example, and you can't be undercapitalized. I have hedged my bets in the industry by buying into different venues, effectively achieving an infinity contract rather than something like a two-year contract. In return, the people I partner with can use me as a strategic thinker or as a source for financing they wouldn't have easy access to otherwise. So my advice to entrepreneurs is to stay focused and stick with what you know.

For me, professional success means creating opportunity for lots of people and doing good things. My definition of personal success is that I don't have to set the alarm clock in the morning. I have total control over what I do. I've told my two daughters that I don't care what they do as long as they can control their environment. I think that no matter how hard you work, if you control your environment and love what you do, you'll have less stress.

Giving Back

My son was twelve and a half when he died. He had rotten lungs but he was very healthy mentally. He was president of his class and a beautiful kid. He was the first sick kid in my entire life. What my wife and I learned from that experience, spending years in the hospital with our son, was that there are lots of important things in life, but until they are shoved right in your face, you might not see how important those things are. None of us will live forever and, as far as I know, none of us has figured out how to take our riches into the next life. Our time here is a short run, and you have to ask yourself what you are going to do with all of your money. Are you going to eat seven meals a day? No.

Before my son Joey died, my wife and I were convinced that when he passed from us, that would be the end of us thinking about Cystic Fibrosis. We were very active in the foundation that supports families with the disease, but we were going to be done with it. The minute he closed his eyes for the last time, however, we knew we couldn't let it go. Maybe it was selfish, but we needed to stay involved for ourselves, and for him and other people who have the disease. So we founded the Joey Fund and through it we have stayed very active in activities around cystic fibrosis and other issues. In addition to the Joey Fund, we've been very active at HBS, Exeter, and my high school, Malden Catholic. Giving back has been a very major part of our lives. Our two daughters are very aware of our thinking on this and we're trying to raise them within a framework of knowing that they're very fortunate and other people aren't, so it's our responsibility to help.

Part of my wanting to give back also came from an older friend. I like to talk to people who are older than I am. I can tell you what it's like to be fifty, forty, thirty, twenty years old. I've done it. I can't tell you what it's like to be sixty-five or seventy years old. So I like to talk to older

people who have been down a road I haven't been down yet. One of the old timers I used to talk to a lot had owned a ski area and a construction company. He had cancer and came to Boston for treatment, so I saw him a lot. I used to say to him, "You've been the most successful person I know. If you could go back, what would you do differently?" He said, "I'd start giving my money away and doing good things earlier." He was about seventy-two or seventy-three years old at the time and was known to be a very philanthropic guy. As he said, however, he only started giving back when he was around sixty-five years old. He said, "I should have done it earlier. It was ridiculous. I have all this money and my kids have more money than they need, so I should have been doing good things sooner."

So, I have two bits of advice for entrepreneurs. First, talk to people who have been down the road and trust what they have to say. If they're good people, what they say can be more valuable than what you can learn in twenty textbooks. Second, stop, turn the lights out, and think hard about what's the best career match for you. If you're a techie, then do that. If you're a service kind of person, that's where you ought to go. And think about what you will do and how you will do it in terms of a marathon. You don't need to do what you want to do today. It's important, though, to have a compass and know the direction in which you're traveling. In the end, you need to understand what you like, what your passion is, and what really gets you motivated, because it's not work if you have fun and if it's a challenge. Deciding what you'll do is like setting up the team for a baseball game. You want to make sure you keep Robbie Alomar at second base.