

## BARBARA LYNCH GRUPPO: AN ENTREPRENEURIAL JOURNEY

Barbara Lynch Gruppo (BL Gruppo) was a holding company that operated eight wildly acclaimed and highly rated restaurants, plus a catering operation, in Boston, Massachusetts. BL Gruppo's culinary mini-empire—award-winning French, Italian, seafood, pasta, and steak restaurants, one of the top bars in the United States, a butcher shop, a catering company, and a demonstration cooking class business—had continually achieved recognition as a great organization. But the story of BL Gruppo was actually two stories, of two entrepreneurial journeys. One was the journey of Lynch, a high school dropout and former numbers runner from the projects of South Boston who, through hard work, self-education, perseverance, and entrepreneurial focus, became a world-class chef. The other was the journey of someone with no formal business training who built a culinary business employing over 230 people and grossing close to \$18 million in revenue.<sup>1</sup>

Lynch's personal story was about her dream and her struggle to fulfill it; her business story was about her growth as an entrepreneur, about making the transition from control freak to leader, building and inspiring teams, acknowledging her weaknesses, and attracting quality people to mitigate those weaknesses. With all of her success, she never lost touch with where she came from and who she was. She understood how fragile success was because, as she said, "I have to work kick-ass hard to stay good."

Now she faced what she considered one of her biggest challenges: How might she institutionalize her business to sustain the enjoyment expected by her regular customers and the opportunity for advancement by her loyal employees, while at the same time giving her management team and herself chance to monetize and create wealth? And just as important: Should she keep directing her entrepreneurial zeal toward trying new business opportunities? What was enough to satisfy both Lynch the person and Lynch the entrepreneur?

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<sup>1</sup> For additional information, consult the references at the end of this case.

## **Lynch the Person**

Lynch was born in 1964, the youngest of six children, a month after her taxi driver father died of a heart attack at the age of 32. Her mother, a proud and honorable woman, worked two or three jobs a day to keep her family off welfare. Lynch grew up in South Boston, or Southie, as it is called, one of Boston's poor Irish neighborhoods. Working multiple jobs left little time for her mother to cook, and poverty limited the family's grocery shopping to the purchase of ordinary canned, frozen, and packaged processed food. Lynch's family of seven lived in a four-room apartment in the Mary Ellen McCormick, a federal government-built, subsidized housing project.

By the age of seven, Lynch smoked 10 cigarettes a day. As a kid, she snuck into South Boston bars frequented by local workers, where she learned to drink Green Hornets, the local name for Heineken beer. In high school, she became a numbers runner for teachers and others, taking their bets on sports to local bookies. She quickly figured out who would most definitely lose their bets and pocketed their money without placing the bets.

She grew up in an environment that looked after its own. She said that most of her male classmates became policemen, politicians, crooks, or "a combination thereof," and most of her female classmates married them. Lynch struggled through school, enjoying only the home economics classes taught by Miss Logozzo, who let her audit many of the home economics classes she taught and wash her dishes in return. But eventually auditing home economics classes could not keep Lynch in high school, and she dropped out, earning a GED later in life.

If there was one defining moment that sparked her interest in cooking, it was at age 13, when she saw a picture of a Chinese dish in *Good Housekeeping* magazine. She made that dish and in the process learned that she liked to cook. So while in high school, she got a part-time job two days a week cooking for the priests at the neighborhood rectory. She took another job making beds at the St. Botolph Club, a private club where her mother worked, and where she spent time in the kitchen watching the French-trained chef prepare the culinary creations that she decided she wanted to create someday. Eventually, Lynch became a member of the St. Botolph Club.

Quitting high school marked the start of a six-year period during which Lynch struggled to find her footing. She worked as a clerk in a food distribution warehouse with one of her girlfriends until summer, when they decided that to quit their jobs and move to Martha's Vineyard for sun, fun, and who knows what. There on the island, Lynch lied about her skills and experience and got a job as an assistant chef on a dinner cruise boat. As luck would have it, the chef quit the day before she was to start. Fearless and buoyed by her Southie brashness, Lynch lied when asked if she was qualified to become the head chef, although she had never cooked professionally, in such volume, or any such fancy meals. She carried this attitude of "fake it 'til you make it," and "I'm not scared" throughout her career.

Lynch loved the challenge of cooking and starting her career in the kitchen and was determined to succeed. On her own, she read and studied cookbooks every night that summer, thus knowing enough to begin her cooking career and learning on the job well enough not to get fired.

Lynch returned to Boston and found a job in the kitchen of a small Italian restaurant popular among members of the cooking community. A young chef there named Todd English was opening his first restaurant near Harvard University and he asked Lynch to interview for a cooking position. Unfamiliar with Cambridge, Lynch had a hard time finding the new restaurant. Then when she walked in, she asked English, “Who would open a restaurant here?” English responded, “You sure are a sassy one.” That was the beginning of a relationship between two pioneers of an emerging Boston restaurant scene that was to last 20 years.

From English, Lynch learned “kitchen toughness”—how to demand and get perfection every time for every dish from every kitchen station. She gained the confidence she would need to become a head chef. She also developed a sixth sense about what she did not know and what she needed to learn, which helped her tremendously on the path to culinary stardom. She knew she needed to know more about Italian cooking, so after leaving her job with English but before looking for another head chef’s job, she went to Tuscany. In an Italian country farmhouse, Lynch learned how to make Italian pasta by hand and honed her Italian cooking skills by cooking with older Italian women. She returned to Boston and was hired as the chef of Galleria Italiana, an Italian restaurant in Boston’s theater district.

Lynch threw herself into the Galleria Italiana job while she lived with her mother in the housing project in South Boston where she was raised. Her serious work ethic and passion for artistic perfection paid off when she was named one of *Food & Wine*’s Best New Chefs in 1996, an honor that was usually the start of chef super stardom. Being noticed by *Food & Wine* fueled her ambition to own her own restaurant. She already knew she wanted to work in front of a stove, and now she wanted to own that stove. She certainly did not want to waste the opportunity the award had given her.

## **Lynch the Entrepreneur**

At Galleria Italiana, Lynch met two people who would play important roles in her life. The first was Cat Silirie, who left Galleria with Lynch when she opened her own restaurant and went on to be the wine director for the entire BL Gruppo operation. Like Lynch, Silirie was self-taught. She was a hands-on wine buyer who learned about wine, its history, its geology, and its production in the vineyards of France and Italy at family-owned vineyards that produced wine the Old World way. Lynch and Silirie bonded over their love of the science and art of matching fine wines with fine food.

The second person was Charlie Petri, a widower 20 years older than Lynch with three children. Petri was a successful businessman who became Lynch's husband the day after they signed a lease on a building located at 9 Park Street in the chic, historical section of Boston known as Beacon Hill. The building was located across the street from the State Capital building and the central public park, Boston Common, a prime location for a fine dining restaurant.

At the age of only 34, Lynch had her first restaurant. As she would with future restaurants, she raised private equity capital from wealthy Bostonian food lovers such as the founder and chairman of Stride-Rite Shoes, Arnold Hiatt. Before opening No. 9 Park, Lynch listened to her sixth sense and went to France to learn what she did not know about fine French cooking and the top-rated French restaurants. She wanted to create a restaurant that combined the elegance and refinement of French food and Italian flare.

Lynch opened No. 9 Park in 1998. It was so successful that it paid its investors back in three years, and Lynch was named the 2003 Best Chef in the Northeast by the James Beard Foundation. So "Lynchie" from Southie had reached culinary stardom at the age of 39, a far cry from the beer-drinking, poker-playing, numbers-running days of her youth. She had made it—through hard work, seizing opportunities, and the help of such mentors as her mother, Miss Logozzo, and English. She realized then that her career as a chef would mitigate her childhood fear of going on welfare. She made it through hands-on, iterative, entrepreneurial risk taking, listening to her sixth sense about what she needed to learn, and long hours of work.

## **Expansion**

### **South End**

The success of No. 9 Park fueled Lynch's need to grow personally, and she channeled it into her profession as she progressed from maestro chef to budding restaurant entrepreneur. With an operating partner, she decided to open an Italian restaurant in the North End. That venture failed to come to fruition for many reasons, most of which could be blamed on difficulties with the landlord. Lynch absorbed a \$250,000 loss.

Undeterred, she hit her brakes one day in 2004 when driving through the South End of Boston, where she saw a For Rent sign on a small corner building. Peering in the window, she saw not just an empty space but space for a 38-seat restaurant with a courtyard patio serving seafood caught right offshore. Her vision became the B&G Oysters restaurant. The lobster BLT, shucked oysters, and other seafood dishes were so popular that there were always waiting lines and customers willing to stand in them.

It was while Lynch negotiated the lease on the B&G Oysters space that the corner space right across the street became vacant; she immediately signed a lease for it as well. In that small 1,400 square foot space, she opened the Butcher Shop, an Old World style retail butcher shop

that cut the meat on-site. The Butcher Shop also seated 35 people, offering steak with great wine in the casual butcher shop atmosphere. And while all this was going on, Lynch was pregnant with her daughter, Marchesa.

So although Lynch had failed to open her North End restaurant, she had rebounded to open not one but two restaurants across the street from each other in the South End. The stresses of this rapid expansion led to a mediated split between her and an operating partner that required her to buy him out and take over all aspects of the business. It was trial by fire because she had neither experience operating a business nor any accounting background. Up to that time, her training had been strictly on the job and on the streets.

In 2007, two spaces next to the Butcher Shop became available, and Lynch saw an opportunity to expand again, with either a produce shop or a catering business. She chose both, but eventually closed the produce shop in 2010, ultimately subletting it to Siena Farms, a local farm owned by friends, who opened Boston's first permanent farm stand there. In the other location, Lynch designed and built a space modeled after her own home kitchen in which she created a combination cookbook store/cooking class shop called Stir. Here Lynch taught chefs from BL Gruppo and cooked dinner for 10 people a night based on themes or specific cookbooks. There were waiting lists from day one for classes ranging from Pasta 101 to one based on Lynch's first cookbook, *Stir: Mixing It Up in the Italian Tradition*.<sup>2</sup> Stir also served as an experimental laboratory for creating multicourse meals (Chef's Tables) prepared with the freshest local ingredients and the finest wines paired with each course. Each meal began with guest introductions and toasts to new friends, and then the meal was cooked right in front of the guests, so they could experience the artistry of cooking.

Lynch financed South End similar to No. 9 Park, with a limited partnership, raising \$1.5 million from 12 investors, many of whom originally had helped finance No. 9 Park. All three of her financing partnerships were independent limited partnerships, and Lynch and her husband were the sole managers and had all decision and operating rights.

This continuous expansion, although exciting, was taxing for Lynch because it stretched her capabilities, her people, and the ad hoc processes and controls of her business. As Lynch persevered, she realized that she did not enjoy managing and operating the business. She recognized that her joy came from the cooking and mentoring other chefs in their cooking and being the best at creating fabulous experiences for diners along with providing great jobs for her team. She knew what drove her from morning to night as she moved like a butterfly around her kitchens, and the realization brought about two big changes in 2007.

For the first change, Lynch changed the name of her businesses from the No. 9 Group to Barbara Lynch Gruppo. She was confident now that her name was the unifying force drawing customers and attracting investors to her businesses. For the second change, she hired Jefferson

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<sup>2</sup> Barbara Lynch, (Boston: Houghton Mifflin Harcourt, 2009).

Macklin as her COO to oversee all operations of BL Gruppo. Macklin, a West Point graduate and decorated Iraqi War veteran, had graduated from the Darden School of Business Administration in 1995. With his previous experience producing records and managing musicians and tours, he was a blend of military rigor and creativity. Lynch hired Macklin despite his lack of restaurant management experience because she was comfortable working with him. Macklin took over a big business that operationally (business processes, management controls, and information management) was way behind the professionalism displayed in the kitchen and dining room.

### **Fort Point**

In 2006, Lynch was approached by a real estate developer who was fixing up an old warehouse on Congress Street within walking distance of Lynch's childhood home in the Mary Ellen McCormick housing project in the Fort Point area. Aware that commercial office space and condo growth was heading in the general direction of Fort Point, the developer wanted Lynch to open a fine dining establishment in his restored building as a draw for businesses and condo buyers.

Lynch sensed an opportunity to be on the forefront of growth by creating another restaurant cluster, as she had done in South End. The idea of returning to her roots as an accomplished well-known chef and successful business woman appealed to the kid from Southie.

She envisioned three establishments: an Italian pasta restaurant designed like a high-tech diner with bar stools and counter seating; an Old World bar that served only made-to-order, naturally infused concoctions with no liquor bottles visible; and a world-class French restaurant like the ones she visited in Paris before opening No. 9 Park. She also wanted to create a central food processing and prep facility on location that would serve all three businesses by receiving, storing, and preparing all the basic food and pastry. That approximately 14,000 square foot complex would be equipped with the most modern equipment.

Many of Lynch's friends as well as her husband advised her not to proceed with this ambitious project because of its size and the risks involved. But Lynch was supported by her ambition and the knowledge that so far her formula for success—proving people wrong—had worked, so she overruled them and moved forward.

Her next step was to raise \$5.5 million from 28 investors in addition to securing \$2 million in debt. This investment was in a separate limited partnership that isolated the financial risk, so in this major undertaking, the primary risk was to Lynch's reputation. From a brand reputation standpoint, Lynch had bet it all, at a time when, it turned out, the United States was about to undergo its biggest economic crisis since the Great Depression.

In the fall of 2008, Lynch opened Drink, her high-end bar, with 40 seats and lots of standing room, and Sportello, her pasta diner and 42-seat restaurant. At Sportello, Lynch

returned to her Tuscany training, making popular dishes such as truffle gnocchi, pasta Bolognese, and spicy tomato soup. Diners sat on stools facing the cooking space and watched their food being prepared while enjoying the best Italian wines as chosen by Cat Silirie on her many trips to vineyards in Italy. At Drink, the bartenders were master craftsmen. The bar had no drink menu. Each bartender asked each guest for their order and, using the best alcohol, fresh fruit juices, naturally made infusions, and herbs, produced a custom-made drink. The bar also served small appetizers from the central kitchen.

Construction at Fort Point was halted in December 2008 as the U.S. economy continued to spiral downward with little relief in sight. Finally in April 2010, Lynch opened the restaurant she named Menton (rhymes with Won-ton) after a small French city near the Italian border that for her represented a meeting of the soul of Italian home cooking and the refinement of French gourmand dining. With Colin Lynch as the executive chef, Menton was Lynch's largest restaurant with a total of 117 seats in its three dining rooms and a nightly multicourse prix fixe and tasting menu.

Lynch spared no expense in making Menton the ultimate continental dining spot, from its custom French cooking suite to its Austrian crystal glassware, from its German china to its French silverware and linens. Menton delivered on its promise and was named the Best New Restaurant of 2010 by *Bon Appetit*, *GQ*, and *Esquire* magazines and was the first restaurant in Boston to receive a perfect four-star rating from Devra First, food critic of the *Boston Globe*. In time, Menton would go on to be nominated by the James Beard Foundation for the short list of the Best New Restaurant in America and also became one of only eleven restaurants in the country to receive both the *Forbes Travel Guide* Five-Star and the AAA Five Diamond awards. In February 2012, Menton became Boston's first Grand Chef Relais & Châteaux property, one of only nine independent restaurants nationally and the first in America with a woman as chef-owner to participate in the elite luxury association.

## Operations

In April 2012, Menton entered its third calendar year as a premier fine dining establishment. Because of the continuing dire domestic and European economic conditions, however, it operated below its potential.

The daily management challenges of operating a group of restaurants were mind-boggling. BL Gruppo employed 24 chefs, 45 line cooks, 62 servers, 22 runners and busboys, 11 bartenders, 15 receptionists, 15 Front of House managers, 22 dishwashers, and 10 staff members in the head office. On average, there were more than 600 custom-made drinks served a night. Signature dishes varied by restaurant from prune-stuffed gnocchi with foie gras (No. 9 Park) to butter soup with lobster and kataifi-wrapped prawns (Menton) to lobster BLT (B&G) to hot dog à la maison (The Butcher Shop) to tagliatelle à la Bolognese (Sportello).

B&G alone served more than 12 tons of lobsters (that's 37,000 lobsters) to its customers annually, as well as more than 275,000 oysters. In total, the restaurants bought over \$750,000 of meat a year from over 44 food purveyors and maintained a wine inventory of 15,000 bottles. There were so many steps in the culinary process that, to handle food preparation and delivery in the necessary period of time, many people had to be in the right place at the right time, every meal, every day. As Jefferson Macklin said, "We are only as good as our last meal."

In small restaurant kitchens such as No. 9 Park's, meat, fish, fowl, pasta, salad, and dessert stations produced five-star restaurant food with militaristic precision in intense high-speed crunch times. Kitchens were fiefdoms of the autocratic chef, who oversaw all activities and, in most cases, approved the final product before allowing it to be presented to the diner.

Having once been on the bottom rung of the restaurant ladder, Lynch understood that employee turnover and bad morale can kill a business. She was fortunate in that her full-time employees stayed, on average, from three to five years at BL Gruppo because she gave them the opportunity to grow professionally, earn an average of \$35,000 to \$55,000 a year, and receive a good benefit package that included company contributions to health and dental insurance, enrollment in a 401(k) plan after one year of employment, and paid time off. Blended food costs at the restaurants were 32% of revenue and blended labor costs were an additional 45%. Everything has a process and checklist to be followed. Every day, servers were educated about that night's offerings.

Lynch believed that in her business, every night was show time, and to maintain the brand, every guest's expectations must be met. She considered it both a service business and a product business. And she understood that the business was not for everyone. For example, Colin Lynch worked 13 days out of every two weeks, averaging 85 hours a week. Work hours usually started at midday and lasted past midnight. Administrative duties began each day with the planning of the evening meal, progressed through three different meetings with various staff in the afternoon, and then followed through with overseeing the traditional staff dinner and educational training. The day ended with a kitchen staff after-action review meeting critiquing the events of the night, including mistakes made. Lynch stated that "building a team spirit, a service mentality, and a helping attitude in the kitchen is mission critical to maintain excellence every night every plate."

To help build that team spirit, all kitchen staff came to work at the same time and all stayed till the wee hours of the morning until everyone was finished, so they left the building as a team.

## **The Wine Experience**

Wine education was a daily focus in most of the restaurants and the passion of Cat Silirie, its chief sommelier. An entrepreneurial story herself, with no formal education (like Lynch),



Silirie had the determination and drive to make herself into a world-class wine expert. She specialized in Old World grapes, studying and experiencing wine hands-on from the planting, growing, harvesting, and wine making perspectives. She was interested in the granularity of what makes wine wonderful. She believed that great wines were not identified by price but by “seasonality, tradition, authenticity, and territory or sense of place.” Silirie returned frequently to her producers’ vineyards in Europe and continued to search for the next family-owned small vineyard that made wine in the authentic Old World manner. She avoided large corporate-owned vineyards and vineyards that engaged in chemical manipulation, too much filtration, or human intervention in the traditional wine-making process. She tasted hundreds of wines a trip, generally accepting 5% or less for BL Gruppo restaurants. She searched “for wines that taste like their place, like the grapes of that place, and of the traditions and heritage of that place.”

Finding those great places was just the first step. Five days a week, Silirie taught servers how to pair the right wines with the right food taking into account the place, taste, and story behind the wines featured that week. All of which was intended to bring the history, geography, and essence of fine wine to the dining experience.

The buying and serving of wine this way was consistent with the selection and buying of food products in that Colin Lynch set high, rigorous standards for his purveyors and gave priority to local family farmers that viewed food creation as far more important than just making money.

### **The Entrepreneur Must Also Grow**

This story was much more than a rags-to-riches story of perseverance. It also involved personal growth and trust, how Lynch grew as a person right along with her business. She evolved from an entrepreneur with a dream into a manager, leader, mentor, and coach who allowed her people to grow personally and professionally along with her. This was harder than it sounds and can be one of the key obstacles to entrepreneurial business growth. Lynch’s personal journey was even more spectacular given the circumstances of her childhood and early adulthood, including the termination of her first business partnership and her first expansion failure. Notwithstanding these defeats, she learned to trust and to delegate as she built a service culture that engaged and inspired every employee.

For example, Silirie was entrusted with the role of minister of culture and took on the responsibility of training employees as role models for “graceful hospitality and service in a warm, welcoming, and passionate dining environment.” Macklin was given the COO position and later the presidency of BL Gruppo because he had shown he understood the need for processes, controls, and servant leadership. Macklin and Tanya Gray, the controller, created a financially transparent supply chain reporting system that empowered each restaurant manager and held them accountable, as if it were their own business. Every manager received the information necessary for making the daily decisions. Those managers got training from Silirie in how to engage every employee in the pursuit of daily excellence as defined by the culture.

Lynch believed in the adage that “businesses only grow when its people grow,” and because of it she had a good chance of building a successful business.

### **Challenges for 2012 and Beyond**

Lynch had gained success in the restaurant business by building a team of employees that delivered fine and casual dining and drinking experiences on a regular basis in settings ranging from the toniest dining environment to the casual environment of a diner. Her restaurants covered a broad spectrum by serving the finest French dishes, traditional home-made pastas, and local grilled, fresh fish or steak. She was a member of a very small group of women chefs in the United States who had successfully built a multi-restaurant business.

Nonetheless, the restaurant business can be extremely competitive. Maintaining consistent excellence was an ongoing major organizational challenge that depended on the nightly behavior of hundreds of her team players. The business was intense, and people often burned out. Turnover was always a challenge with new competitors, both restaurants and hotels, seeking to attract proven performers. Unless Lynch continued to expand, promotions and advancement for current high performers would be limited to the opportunities created by departures of existing personnel.

Yet expansion had to be tempered by the economic times and the pressures on corporate and personal expenditures. And Lynch’s last capital loan of \$5.5 million to build the three restaurants on Congress Street (Sportello, Drink, and Menton) remained outstanding.

The restaurant business was also one that, in most cases, did not stay in operation beyond the business life of its founding chef. Creating value generally came from current operations and not from monetizing projected growth or future earnings absent a focused food concept that can be scaled geographically (e.g., steak restaurants like Morton’s).

These limitations had forced other chefs (Wolfgang Puck) to expand into frozen foods, work as consulting chefs for casinos, destination hotels, or resorts, become TV stars (Emeril), or develop geographical scalable consumer concepts as New York City’s Danny Meyer did with the Shake Shack.

Those industry issues were only part of the story. Lynch recognized that her management team had strengths and weaknesses, individual professional and life goals, and legacy desires. Lynch also understood that her position should be behind the stove and not in front of it as a public persona. Lynch’s team had given much thought to these issues and batted around many different ideas: Silirie writing a wine book or making wine teaching videos; Macklin creating restaurant operational software to license to other restaurants; Lynch going downstream into farming, producing frozen homemade pastas, opening a retail wine store or selling cases of wine

to buyers from her commissary; expanding her cooking demonstration business, which was operating at capacity at the time; venturing into TV; writing her life story or making a movie.

There was so much to be decided.

Should Lynch try to expand the nationally recognized, highly rated bar concept she used at Drink to New York City or Washington, D.C.? Should she try to do with B & G Oysters what Meyer was doing with Shake Shack? Should BL Gruppo take over restaurant operations at high-end private clubs in the Boston area? Should Lynch follow her customers in the summer and open a seasonal restaurant on Martha's Vineyard? Or should Lynch return to her roots and develop teaching materials for high school home economics classes to inspire future cooks and chefs? Should she consider creating a children's cooking show as Julia Child did?

All of these questions set the stage for larger questions for Lynch and her team: How much was enough? Would new initiatives dilute the focus on keeping the current businesses competitively excellent, not forgetting the outstanding large investment on the three recent openings? Should Lynch find initiatives outside the business sphere that would absorb her drive and need to learn? Was expansion or more growth premature? Was more business growth the right goal?

Taking into account Lynch the person, how she had made it, where she was in her personal life and business life journey, what should she do? How could she keep her team energized, stable, and focused? What should be Lynch's five-year strategic plan?

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