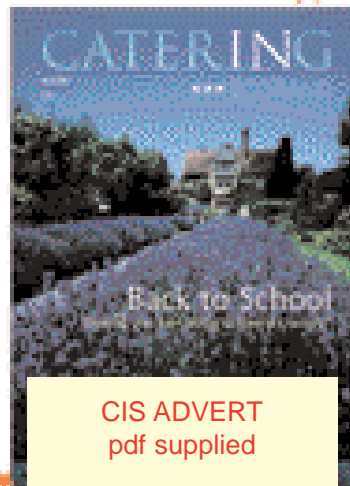
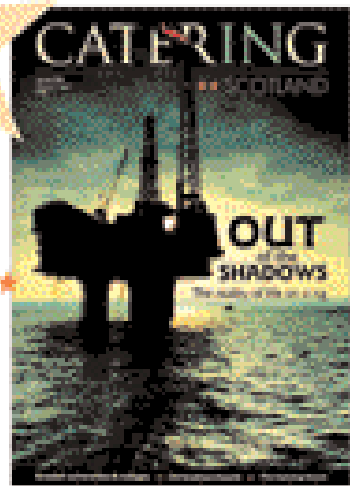


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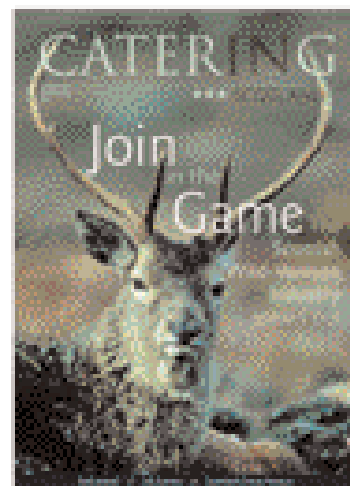
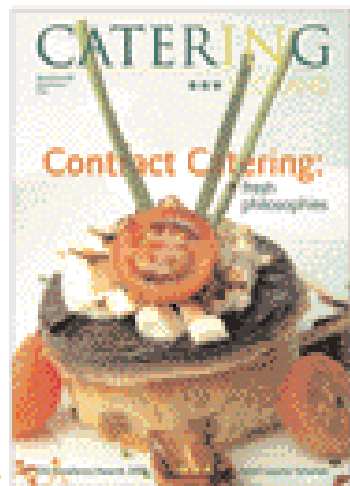
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## Open communication

En Passant FEATURE



It has been quite a journey for James Horler, Chief Executive of La Tasca, and his management team. La Tasca has grown from being a good niche player in the casual dining sector to becoming a firm market leader...

It was once said that business management is all about problem solving and the true test of any business leader is how to manage the unexpected issues that arise.

When James Horler led the acquisition of La Tasca, it is fair to say that this moment arrived sooner than he ever imagined it would.

Imagine for one moment the scenario - after many months of hard work, you have just signed the acquisition papers for a going concern. The ink on the contracts has just dried. Everyone is delighted and looking forward to the challenge ahead. You have just met the management team of the acquired business. Your plans are formulating. And then it happens... the world's most dramatic act of terrorism (9/11) that almost instantly changed the economic outlook. All calculations simply fly out of the window. What will happen next? How will you react?

But let's first move on four years as many will know the story of how the economy has fluctuated since Sept 2001. Much has happened. It has been quite a journey for James Horler, Chief Executive of La Tasca, and his management team. La Tasca has grown from being a good niche player in the casual dining sector to becoming a firm market-leader and the first moments of the Horler-led acquisition of the restaurant group now seem a long time ago. Since that time, the company has grown from 16 sites to 58. The group recently announced plans to open up

to 14 new sites in Britain each year with a target of reaching 100. James is also developing La Vina, an upmarket tapas chain of which three have already opened and are reportedly trading well. La Tasca is also expanding into the USA with two sites already trading profitably and with a third planned for February 2006. In February last year, La Tasca was floated on AIM. In July, the company declared a 51% growth in full year profits. Despite a difficult year in the economy, La Tasca has continued to do well with an average spend of £13 per head.

### Recent history...

But let's now return to those initial moments as it gives us an insight into the management philosophy of James Horler. In September 2001 when James in conjunction with Penta Capital acquired the business, La Tasca had just 16 sites and had been in operation for eight years.

The sale was finally agreed on September 11th 2001 at 2am. James headed straight to London for a meeting and then up to Manchester to introduce himself to the La Tasca team. By the time that meeting was over, news of the terrorist attacks in America were breaking. That day and the following two weeks were the worst trading days in La Tasca's history. Reflecting on those first few

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weeks James gives us a wry smile, "there was only one way to deal with it. You just have to hold your nerve in situations like that - there was nothing else we could have done. There was no point feeling sorry for ourselves - no one was going to shed any tears for us - everyone had their own problems, but over the next few months we caught up. We just had to focus on the job in hand".

Perhaps this straightforward philosophy is a reflection of the man himself as James has genuinely worked his way up through the ranks. He started his working life washing up in a Cambridge hotel in 1981. He was offered a position of Management Trainee with THF at the age of 17, which he accepted rather than taking the option of going to college. At 19, he became the Conference and Banqueting Manager at the Berystede Hotel and at 20, the Food and Beverage Manager of the Swindon Post House Hotel. At this point, he felt that his business skills were not being developed as fast as he would have liked and transferred to THF Roadside where his career began to build momentum. After a short time as a Unit Manager, he was promoted to Regional Manager and then Regional Director at the age of 24. He eventually left Forte and joined Granada where he was responsible for 9 motorway service stations with a turnover of £210m and a staff complement of 2900. In 1996, he joined City Centre Restaurants to develop the Frankie and Benny's brand, growing the business to 65 outlets in a 5-year period.

He was once quoted as saying:

*"You only get out of life what you put in unless you come from a wealthy or highly educated background which I didn't. My apprenticeship was pretty slow, it took me a long time to get here but that's not to say that I don't work as hard now as I did 15 years ago. I like to have people around me that are good quality. I like to see them growing and improving and I like them to have the same principles as me."*

La Tasca has really evolved as a business and I wanted to understand what lay behind the success.

*"I think that there are a number of factors involved. Firstly, the customer's desires have changed over the years and the La Tasca experience is one that meets the demands of its audience. People enjoy the relaxed, casual dining environment that La Tasca offers and it has shown itself to be highly popular."*

Part of La Tasca's success has undoubtedly come from the fact that it has effectively



*"I like to have people around me that are good quality. I like to see them growing and improving and I like them to have the same principles as me."*

tapped into the female market. Research has shown that females have become a major economic force and their patronage is key to the success of any business in the modern climate. It is estimated that 70% of La Tasca's customers are women.

*"We have also worked hard to ensure that we have introduced a business culture that really empowers its managers. At the end of the day, it's the General Manager of each site that works at the sharp end of our business and they need to be "empowered" to lead the business. We want a positive culture where managers are rewarded for their work."*

In 2002, La Tasca introduced a scheme whereby the General Manager of each site was renamed Managing Partner. Managing Partners are rewarded with a share in the profits of their site on a monthly basis. The idea is to incentivise the managers to be more entrepreneurial and to take greater accountability. If they do well, they earn more money and they actually become better at what they do. It is clear that James believes in allowing managers the freedom to succeed and to improve themselves, just as he has had in his career.

One of the interesting features about James is that he is still very much 'in touch' with those that work in his operations. As he points out, the directors of La Tasca are also still relatively young and are not from a different generation from the Managing Partners. As a result, the business is able to speak a common language. James has created a business culture which is based on good communication and with few superficial 'airs and graces'. La Tasca has no head office and all the directors spend their time at ground level running their business. There is a firm belief that drives through the heart of this business that they still need to make the little things count. The litmus test of any business is how it trades during times of difficulty. Results illustrate that La Tasca has passed this test.

#### Undivided attention

James is renowned for his communication skills. He is clearly at ease talking to people at all levels. He has that knack of making anyone that he is talking to feel as though they have his full undivided attention which makes that person, in turn, feel valuable. As I listened to James talk about the business, it was clear that he enjoys the challenge of

# Open communication

leading the business in all its aspects from dealing with his partners, to discussing La Tasca's foray into the US, to the customer, and to the micro details of the operations. We met in one of his restaurants in London and one could see how he enjoyed the interaction with the 'Managing Partner', staff and customer. The restaurant was busy and his eyes monitored everything in an enthusiastic rather than controlling manner. It was as though being so close to the operation made him 'tick' that little bit more.

In late 2004, the decision was taken to float the company on AIM. It was obvious that was the next logical step for a business that was in a great position to continue its growth. When they were admitted to AIM in February of last year, they had raised £37.5 million. A UK-wide roadshow to gather shareholders had been extremely successful, and it would have been financially possible to break away from Penta Capital. There are many business leaders who would have jumped at the chance to 'lose' their financial partners and to gain real independence but James clearly views this from a different perspective.

During our conversation, it struck me that he feels very lucky to have such a positive

relationship with his largest shareholder. As he said more than once during our meeting "you often hear horror stories". Although he won't be drawn into the detail of this relationship, he is very clear that this partner sits very well with the style and culture of the business. La Tasca see themselves as being very lucky to have been backed by a VC with a 'boutique house' feel to them who have backed them as a management team and allowed them to get on with what they do best - running restaurants.

#### A positive relationship

The relationship has been very good for Penta too. When they invested in La Tasca, they provided equity funding for the £27.2m management buy-in and for the planned roll out. In February 2005, La Tasca listed on the AIM market at an enterprise value of £71m. Penta has, therefore, realised 2.1 times its original investment in cash return and has retained a 23% stake in the Group. It has clearly been a positive relationship.

*"They haven't tried to be restaurant managers, they've given us the financial backing and let us get on with the business that we do well."*

So, what is the plan for the future? James looks more thoughtful... *"They're a part of this business. I'll be very disappointed to see them leave us. It'll be a sad day when they go"*.

It took eight months to make the decision to float and almost a year later there are no regrets. James is clear that the float was the right move for the growth of the business and despite the challenges of learning how to be a public business, one that has provided him with a new learning curve.

He smiles with a little relief as he tells me *"when interim results are announced on the 13th December we will have been around the wheel once."* Now they have got used to being public next year will be easier.

#### So what does the future hold?

On the company's plans for future growth the business plan is clear - more of the same. There is a three-fold strategy in place that will see continued growth of La Tasca, a new brand and expansion beyond the UK.

This year has seen the launch of La Vina - a sister brand to La Tasca. Still within the casual dining sector, La Vina is more sophisticated and generally appeals to a slightly older market. With a slightly higher average spend and longer dwell time, La Vina is proving to be more of a destination restaurant. There are currently sites in Manchester, Leeds and Liverpool and Newcastle is on the way.

#### Across the pond...

And thirdly, a break into the US market has paved the way for a new and exciting expansion plan abroad. It sounds surprising to hear from James that no one else was doing what they do in the biggest casual dining market in the world. Unlike many others who have made the move across the Atlantic, La Tasca is wholly owned and managed in the States and this has probably contributed to the success of the cultural transfer. It has also strengthened the relationship with their largest shareholder. They have never had concerns over taking the brand to America, but other VCs they spoke to in the early days were put off by this plan. Many other companies have struggled to succeed in the US market.

James tells us that breaking into the American market is as much about proving that the model works as anything else. With sites currently in Washington DC, Arlington Virginia and Baltimore due to open in February, the plan is to reach six or seven sites and then to find a US partner. Crucially, these sites are opening in places where new homes are being built without kitchens and La Tasca offers a casual dining experience unlike any of the other brands available.

As I walked away from the meeting with James, two key points stayed with me. La Tasca is clearly a good case study of an operator and VC working successfully in tandem. I have heard so many bad stories of VCs over the years that it did make me wonder what the difference was and I suspect that the answer lay with James's approach of good straight forward communication which appeared to breed respect and trust within all parts of the business. Just as I have heard bad stories about VCs, I have heard VCs themselves talk of their frustrations, which more often than not evolve around relationships breaking down through poor and, sometimes misleading, communication from the operator to the VC which undermines the relationship. Maybe this is the secret to James's success. His ability to build trust and communicate effectively.

The other point that occurred to me takes us full circle. As his attitude towards 9/11 and towards La Tasca's entry into the US market tells us, here is a character that looks at the positives before the negatives and focuses on the former. Maybe he just enjoys the challenge of beating market expectations.



*"We have also worked hard to ensure that we have introduced a business culture that really empowers its managers."*