

CASTLE OAKS CATERING LIMITED, LIMERICK, IRELAND

“I think they [staff] would say we’re a caring organisation”

Introduction

Over forty years ago, someone put their faith in Michael Fagan by giving him a share in a hotel business. Now Michael returns that favour in spades by passing on the same opportunity to a number of other people in the Irish hospitality business.

In the film, Pay it Forward, Mr Simonet (Kevin Spacey) plays the role of a teacher and sets his student a task to find an idea that will “Turn the world upside down”. Young Trevor McKinney (Haley Joel Osment) comes up with the idea to “Pay things forward” rather than pay them back. Michael Fagan’s big idea at Castle Oaks Catering is just such an idea. Whether it will “Turn the world upside down” is uncertain, but Michael’s accountant certainly thought he was out of his mind.

This case study outlines succession plan at Castle Oaks Catering and looks at some of the other people-friendly policies adopted by this leading hospitality operation.

Background

Michael Fagan was quite literally born into the hotel business. In his early years, he lived over his father’s pub and during his time at college, he spent time working in the pub as well as with Doyle Hotels, the largest Hotel Group in Ireland at that time.

Michael took advantage of the Doyle Hotel Business to rise to the level of Assistant and then Acting Manager of one of their Dublin Pubs. In 1973 when Michael began to look to build his career, P.D. Doyle suggested a post with his brother-in-law in Limerick. In the space of one year, Michael managed to turn around the 60 bedroom hotel which was “haemorrhaging money” and transformed its status to a profit-making one. In order to keep Michael in the business, the partners at the Hotel offered him a directorship and a share in the company which he could build upon over time. Over the next 20 years, Michael became the largest shareholder in the hotel. This was the genesis of which became the succession plan at

Castle Oaks Catering.

During this time, the company moved into the catering business at the University of Limerick (formerly the National Institute for Higher Education NIHE). They opened the first student bar at the University and instead of doing the obvious - the company took the less than usual route of opening a bar and food operation. As Michael states:

“Up until then, most student bars around Ireland and the UK, predominately served only liquor with the odd toasted sandwich”.

This decision was so successful that the University asked him to establish a fine dining set-up and offered him the operation of other units at the University which has led Castle Oaks to run five separately operated companies on campus.

Succession Plan

The roots of the succession plan began with the hiring of general managers for each of the five companies. These were people that Michael had worked with or were already known and trusted by him. Each manager was told up-front that they would be given a share in the profits of the business and if they remained for 10 years, they would be granted a stake in the business. Around 2004 (approx 15 Years after the appointment of the 5 managers) this stake was raised to the point where each manager now holds a 50% stake of their respective company, which they were encouraged to buy at a very low rate. Although the size of the equity incentive was not announced to managers from the beginning, a 50% stake moving to full 100% control was always Michael's plan. Michael now proposes to hand over 100% control to each manager by 2011 (supposedly when he reaches the age of 60).

Behind the management of these five businesses lies is a management company which provides a set of common services for each of the five businesses. The management company provides financial management and encouragement towards cost control. It also provides, among other things, standard HR and health and safety policy across the five companies. The intention is that the five catering units will be obliged to use this management company going forward. Michael will remain involved with this part of the business for a few additional years and Michael hopes that his services will be retained although he would like to operate the management company from the back seat.

Money is often said to be a way of keeping control. However, for Michael it is not money, but people, that give him a buzz. He freely admits he has enough money to last him for the rest of his days but stresses there is more to life than money.

Some of Michael's love of people is due to the fact that he has a daughter with a physical disability who is one of the longest survivor of Edward's Syndrome, a severe chromosomal disorder and through his life he has seen the care that people have afforded his family and to his daughter. Beneath it all is a belief in people and their potential for good. That said, he did feel that among some managers was the degree of suspicion where he thought that some managers viewed the transfer of shares as their entitlement.

Beneath all this though, there is a solid business rationale. The provision of a stake in the business and a long-term plan to give more has produced stability in management over nearly 20 years and the operation is known among their long serving and loyal customers and students for the same faces who have been around for years.

People Friendly Policies

Management succession alone however will not provide the kind of stability needed and found within Castle Oaks Catering. Staff turnover is virtually nil. There is literally no

need to recruit. Naturally, some people join as casual staff who are often student looking for a few hours during the enrolment at the University.

The company has over 50 staff of which about 80% are full time. Six staff will be added to this for seasonal work. Staff are recruited in the main from people already known and recommended by those already in the business. Michael also uses the knowledge of those who deliver supplies to the businesses to discover good people in other areas who may be looking for a change and who might fit into the way Castle Oaks operates.

Staff motivation is generated in a number of ways. Managers like Michael himself are expected to take a hands-on in the business. If something needs done, a manager is expected to get his jacket off and roll up his sleeves. This will encourage others to do the same. So if you go into The Stables Club or one of the other units, you might well find a Chef pulling pints in a busy bar or a peek into the kitchen might reveal a manager washing the pots and pans.

Human resource policies are managed by an outside consultant who advises the Board on all matters of practice and development. However, before he was hired in 1998, before the consultant would consider taking on the business opportunity to work with Castle Oaks Catering, he spent a month working in the various business units (with his sleeves rolled up). This enabled him to get to know the business from the inside and be accepted by both managers and staff. As some managers stated: "he was seen then not as somebody dressed in a suit but somebody who was prepared to roll up his sleeves and work with the team". This practice is expected to continue with the consultant regularly visiting each unit and getting to know the people working in the units. His role is also to provide policies, advice and deal with occasional problems that arise. A similar system is in place to deal with health and safety practices.

The willingness to provide flexibility by sharing staff between the various businesses to deal with peaks or sudden illnesses is something that will continue to be encouraged by the management company. This is also a great asset in making each company successful. Staff have shown a willingness to be flexible and fill in when things get busy. Coming in for additional shifts at short notice is never seen as an issue. On the other hand, managers are expected to fulfil any reasonable request for additional time off for family reasons, celebrations etc.

In addition to the company's induction programme, staff are encouraged to go on regular training courses to improve their skills. One example given was the encouragement given to foreign staff to improve their English through attending a specific language course. General management, HR and health & safety training is organised by the management company and the costs are shared across all five businesses.

To counteract the current negativity in the industry due to the recession, staff are encouraged to think and act positively through participating in competitions and prizes organised by management to increase motivation and team spirit. Michael regards the current addiction of the press to negative messages about the economy and the future as a major source of worry. This annoys him so much that he has even offered to produce a four page spread for two of the local papers which would contain only good news and helpful hints on how to get through the recession. As might have been predicted "the two editors looked at me [Michael] as if I [he] had six heads".

Conclusion

Behind the altruistic approach to succession planning and the people-friendly staffing policies Michael has a solid head for business development. The soft tie-in of a profit sharing and a long term equity growth plan has led towards stability and commitment that is to be admired in the hospitality and catering environment. The university, it must be assumed, believe that the quality they get for the money cannot be bettered. This is evidenced not just by the growth in the areas of business taken on by Castle Oaks Catering, but also by the longevity of their partnership. The management of human resources is a major area of the company that is not neglected. Of course, problems do arise, people get upset over small things, but these small things are important and they need to be dealt with before they become a major issue causing staff to become upset.

According the human resource consultant "we want our staff to go home after having a busy day with a smile on their face. If their family asks about their day at work we want to ensure they tell them that "it was tough, but great". More importantly, we want to see them smiling when they come back to work first thing in the morning. If you don't believe me visit the individual companies and ask the staff how they are – I'll guarantee you that most will be smiling – today and in years to come, as they always have been."

A commitment to quality and service improvement is generated through providing a motivated and involved staff and this surely lies at the root of this company's success. There will be however some major challenges ahead. When the businesses become owned in their entirety by current managers, any desire to grow at the expense of the others in the current group will need to be resisted. In fact in order to provide growth and protect the business expansion from outside or into other areas of the university, an ongoing partnership will need to be fostered.

Likewise the current willingness to help each other out should continue, through the encouragement of the management company, but all the heads involved will need to be wise ones and be committed to the spirit of the current philosophy at Castle Oaks Catering. However difficult these things may appear, a commitment by all to a joint future should ensure that it is a bright one. When (and if) Michael eventually bows out of things, the future leaders of these organisations will need to remember the "Pay it Forward" attitude of their founder.