



Season 1, Episode 1, The Longest Winter, June 15, 2021

Gerard Craft: I am not an emotional guy. I really am not, I, but I have never cried so much in my entire life during this time. It was so hard, you know, because there was, there were just so many decisions that we were making and none of them were good. Everybody is kind of preparing for a storm, kind of hunkering down for a storm when we really need to be preparing for, you know, the longest winter.

Kurt Greenbaum: From Olin Business School at Washington University in St. Louis, I'm Kurt Greenbaum and this is *On Principle*.

Gerard Craft: So, my name is Gerard Craft and I am the president, chef, dishwasher of Niche Food Group. We have seven restaurants in the group.

Kurt Greenbaum: He's being a little modest. Yes, Gerard does own seven restaurants in St. Louis and Nashville, but he's also a James Beard Award-winning chef. That's like winning the Oscar or the Grammy for food. And while that was a high point in his career, today, you'll hear how he's navigated his business through one of the lowest points in his life.

But first, thanks for joining us. I'm your host. But in my day job, I'm the communications director at WashU Olin. And I get to hear a lot about how business leaders are made. How do they confront pivotal moments? How do they make the big decisions? And what lessons can we learn in those moments? That's what *On Principle* is all about.

Gerard Craft faced those moments over and over after the pandemic began in February 2020. And he did it in an industry really hard-hit by COVID-19. In fact, some estimates say one in six restaurants have closed their doors since the coronavirus outbreak began. Just think about that. One in six. Nine months after the first coronavirus death was reported in the United States, something like 110,000 US restaurants closed down, either long-term or permanently. That's about 400 restaurants every single day. Chefs, servers, line cooks, bartenders, dishwashers, customers gone.

It's decision-making in a crisis, figuring out how to lead when there's no template to follow. These are some of the themes we're going to explore in today's episode. We'll hear from some of my colleagues at Washington University's Olin Business School, who will bring some academic perspective to these topics. And we'll hear what it was like in the trenches with Gerard, who actually took a while to find his way into the restaurant business in the first place.

Gerard Craft: I think my parents have always been super supportive of me. God bless them, because I was not easy to support. I had to drop out of college. And when I dropped out of college, they said, well, that's great. You want to drop out of school, we get it. But you need, you need some direction. You need to go get a job. So, I got a job washing cars in the morning and at nighttime, since washing cars doesn't pay a lot, I got a job sort of washing dishes, cooking in a pool hall that I used to hang out at. And so, I was cooking there. And during that time, I thought about going back to school again.

And I saw a career counselor who said, look, you have struggled with school your entire life. You said, you really learn through repetition, and in hands-on teaching. You know, what if you gave culinary school a shot?

I kind of thought I was hot stuff because I have been cooking on this line at a pool hall and went to this, you know, really nice restaurant in Deer Valley, Utah, and talked my way onto the line. And, you know, I still remember my first few days of, you know, heating up 12 different French sauces, and they were doing 12-course tasting menus. And it did not take long for them to realize I had no business being there. I think the chef hated me so much, but he sat me down and said, look, you know, there are prep cooks that are far better than you. Um, you know, I can't I can't pay you to be a line cook. So, you either leave or you go down to the basement and become a prep cook.

And I think much to his dismay, I chose to go become a prep cook there. And I think that's kind of where my journey really, really started. That's where I kind of started to fall in love a little bit with cooking and learning kind of all the basics there—that cooking wasn't just, you know, once you knew the craft, then you could kind of bring art in and kind of forward thinking into the picture.

Kurt Greenbaum: So, if we skip ahead in the story a bit, Gerard's begun to cut his teeth in the industry. He's been to culinary school. He's apprenticed in some pretty great kitchens. And around 2004, he sees an ad in *Bon Appetit* magazine talking about the up-and-coming culinary scene in St. Louis. It catches his eye when he learns culinary rock star, Larry Forgione, has opened a place in the city. One thing leads to another. By 2005, Gerard has decided to move to St. Louis, sight unseen, to open a restaurant of his own.

Fifteen years later, his restaurant group includes seven restaurants, including Pastaria, Brasserie and the Cinder House. Some have come and some have gone, including Niche. That was his first restaurant, the namesake of his restaurant group, which began after he upgraded a dumpy abandoned building with dirt floors in South St. Louis.

Gerard Craft: To me, adventure is kind of always exciting for me. It's probably a horrible trait to have, but, you know, kind of that “I took the road less traveled and that made all the difference” seemed to have been a driving force for me in my life

because I think I seem to always take the tougher route. This city has really just kind of exploded. And I think there's a lot more to come. You're starting to see that break all through the Midwest. You know, when people said, "You can't do that in St. Louis" or a phrase that I haven't—thankfully!—I have not heard in a long time, people saying, "That's St. Louis good" when they were referring to a restaurant being only good for St. Louis. And, you know, I think now St. Louis is on the map. There's a lot of people doing amazing things.

You know, I had moved down the street from Kevin Nashan at Sydney Street Cafe. And I think, at first, he was like, who is this, you know, little kid coming in to step on my toes? And, and we later kind of became best friends through this whole, whole process. But at the same time, we are incredibly competitive with each other. And, you know, I think it's funny that the two James Beard awards in this town happened on the same street.

I think that one of the reasons is that that we always pushed each other to be better, not because, not just because we were patting each other on the back, but because we're like, "Wait, wait, wait, why is he doing something so cool? You know, we need to be better than them." And, you know, I think that was a driving force for, for both of us. So, yes, I think it is, is both competitive in St. Louis. But, but I think there's a lot of camaraderie in St. Louis at the same time.

Kurt Greenbaum: Now, at this point, I want to tell you about, of all things, Gerard's vinegar supplier. Gerard imports his vinegar from this guy in Italy. It's early March 2020, and you might remember, that's when most of us were really just starting to pay attention to the coronavirus. Really bad reports were just starting to come out of Italy. And Gerard's vinegar guy isn't that impressed. In a text early that month, he sends Gerard a meme that's basically mocking the media coverage. One frame shows zombies and a caption that says, "What people think is happening." Another frame shows people sipping wine and says, "What's really happening?" But a few days later, Gerard reaches out to the vinegar guy again.

Gerard Craft: I remember him saying, "It's crazy." He says, "I was so wrong." He says, "You know everybody, I don't know what's going to happen. Hospitals are overflowing. You know, people are dying outside of the hospitals." And all these businesses are all just going to have to start over again. He says, "It's over."

You know, I remember that was kind of like a punch in the gut, but then still looking around at the restaurants, and they were all packed. Like, very full. And I think at that time we had no clue, we didn't think that we could do things as bad as Italy. But little did we know we were about to do it 10 times worse than Italy.

Kurt Greenbaum: So, how soon after that did the decisions start coming?

Gerard Craft: We shut down kind of before everybody had to. We just decided that we were going to shut it down. No take out, no nothing. We just, we didn't know how

this was transmitting. You know, there was just too many unknowns and we needed to kind of figure out what that looked like. And so, we shut everything down and two weeks came and went. And it was still, it was actually just starting to get bad. And we, we knew that we weren't going to be able to pay people forever like this—you know, just stay closed and keep, keep our payroll going. I think in three weeks we lost \$500,000.

Kurt Greenbaum: February last year. How many people did you employ in your group?

Gerard Craft: Just under 300 employees. And we have probably lost over a hundred of those employees. You know, we either had to give up and say, hey, we're just going to shutter and go bankrupt or we had to kind of push. And there wasn't a lot of direction coming from anywhere. You know, I don't care who you talk to was trying to understand what bills were going to be passed. You know, we were fortunate to know some people who were on the floor during all of these discussions.

But, but quite often, we know we knew more than our banks about what was going to happen. We knew more than our local government officials about what was going to happen in regards to policy changes and bills that were going to be passed. You know, like the CARES Act and, and in unemployment and how it was going to work.

But even then, we knew nothing because they knew nothing. And I think that was, that was kind of the toughest thing about all of this, was just, just trying to make decisions when you didn't know what help was going to look like.

Kurt Greenbaum: You're making decisions ... you don't know how long this is going to last ... so you're trying to decide what changes to your business model you're going to make and you're investing in these changes without knowing how long that's going to endure.

Gerard Craft: You know, I think at this point we were just kind of trying to figure out what kind of risks we were comfortable taking as a group in order to make money. We were doing take-and-bake pizza so you could just kind of pick up a pizza and throw it in your oven. We were doing take-and-bake lasagnas and vegetables and things like that.

Super simple, but something that we could start selling. And that was the first thing that we decided to reopen. And at the same time, we were also kind of trying to write our own protocols for safe food handling because, again, that didn't exist. There was a lot of just being honest with people and saying, look, we've lost so much money that we we're not going to make it. We will not be here if we don't do something.

Kurt Greenbaum: On top of the operational changes, Gerard's team is dealing with another fiasco. That was his word. The federal government's Paycheck Protection Program. The program was supposed to help small businesses keep workers paid.

So, he applied for the money and he got money, and it was sitting in the bank. But because the rules would have required him to open up before he was ready, he returned it. Then the rules changed.

Gerard Craft: This now works for us. We want it back. Sorry, you can't have it back. You can't reapply, and we said, well, we did it before the safe harbor date. That's what the rules were then. You have since changed the rules. They now work for us. We would like to reapply. No. So, so you can see just how kind of chaotic and crazy these, these decisions were, and again, you're making decisions that are on, on quicksand, right? These things keep changing on you and you're just trying to kind of figure it out and, and rolling with the punches.

Kurt Greenbaum: Was there, is this where you're sort of trying to anticipate what customers would be willing to do, or would do, as the circumstances unfolded?

Gerard Craft: Yeah, and that was the, that was the toughest thing, because I think a lot of customers just wanted normal. And, and it was very hard sometimes to explain to them that, that we weren't normal. There was nothing normal about what was going on in our business and, and we couldn't provide normal, even though we wanted to provide as close to normal as we could.

You know, we, we, our values are such in our company that the employees come before customers. You know, everything we were doing was really about, you know, how to take care of our employees, you know, and how to take care of ourselves, our business. And, you know, because without that, then nothing matters. If we don't have employees and if we don't have a business, then, then there are no customers.

Kurt Greenbaum: So, can you kind of briefly walk me through the decision-making that you had to go through to say, OK, we're going to do take-and-bake, and then we're going to do carry out, then we're going to do outdoor dining? Was there sort of a process, or was it bobbing and weaving the whole time?

Gerard Craft: A little bit of bobbing and weaving and saying, you know, and comfort level. Right? I think that, you know, as we as we started to kind of understand things more and talk to more and more people, getting a comfort level of how far we could go, we knew we needed to bring people back to work, you know, because people's benefits had run out.

And, you know, again, this is a long winter. We knew we had to, we knew we had to improvise. But I think that the take-and-bake just wasn't financially enough.

Kurt Greenbaum: I think there are opportunities where constraints like this can inspire innovation. Right? I mean, oh, I can't do this, so I have to do that. Were there examples like that? Where, where the constraints that you were—that the pandemic was imposing—actually brought about it innovation that you hadn't foreseen?

Gerard Craft: Yeah, you know, I mean, I think that one of the greatest innovations across the industry is to-go cocktails, which, you know, was not allowed before. And, and I think, you know, hopefully that's something that stays because quite honestly, I love a good cocktail and I love to-go food—for to-go wine.

And so now, all of our restaurants have, you know, on to-go wines, retail pricing, because, you know, we're not using our stemware, we're not using our servers to open it and pour it and, and things of that nature. So, why not sell it like we were a wine shop, you know, so that we can get that into kind of grocery stores and stuff to expand our, expand our offerings? Thinking about how people cook at home more and what to offer them in that way, I think has, has been super-unique.

You know, more and more people through this pandemic taught themselves how to cook that maybe hadn't before or expanded on their cooking and on their knowledge and got maybe a little bit more adventurous. And so, you know, now that we can kind of say, oh, you know, well, one of the problems with cooking at home is not having access to the same ingredients that a restaurant has.

So, why don't we just offer them our ingredients, so that they can make the same thing at home? I'd say, you know, 70% of a great restaurant is their ingredients that they're purchasing, which are sometimes not available to consumers. And so, restaurants being able to, to then sell that like we're a retail store or creating—like we did—a retail store, where people can buy that stuff, gives, gives people that advantage in their home kitchens now to, to cook like chefs.

Kurt Greenbaum: So, is that what you're doing at Pastaria Deli and Wine? That you or I can go in there and I can buy produce that I might not be able to get at Schnucks or I can buy goods that maybe you've imported from Italy or something like that?

Gerard Craft: Especially a lot of those little things from Italy like, you know, maybe like preserved lemons or the right types of tomatoes or again, the right types of, of vinegars.

Kurt Greenbaum: As he talked, Gerard made another important point about all these decisions. His team wasn't just trying to figure out how to sell food. As he said it, they were figuring out how to plant seeds for the future. When he closed one restaurant, he assigned the bar manager there to work on a project that had been on the back burner, launching a brand of distilled spirits called La Verita. That was just one example.

Gerard Craft: Yeah, and, you know, we also, on that note, took another angle and decided to market ourselves into consulting and have done quite a bit of consulting work through, through the pandemic, helping other people, you know, navigate these pandemic issues, whether it's hotels, restaurants, as well as some other big businesses, you know.

Again, like I said, we, we were fortunate that we started with this group of core values that's helped us kind of innovate and lead through the pandemic and kind of create protocols and learn how to implement them, but, you know, we've kind of offered that up to other people as well and saying, hey, utilize us. We have this group of amazing team members that are all so driven. They have all worked so hard to put all of this stuff together that it's a waste if we're just using it on ourselves. We'd love to help other businesses help themselves push forward.

Kurt Greenbaum: So, let's recap for a bit. Reality had crashed down around Gerard and all of us in early March. He puts a full stop on his operations, spending half a million dollars to keep employees paid. He shuts two restaurants permanently—Sardella and Taste. He starts with takeout and transitions slowly into other lines of dining and hospitality. He opens Pastaria Deli and Wine, in part, to cater to the needs of home cooks. He starts planting seeds for the future, consulting and distilled spirits.

As we'll hear, this sort of segmenting in managing customer decisions is important. Remember, Gerard is a restaurateur. I mean, this should be a pretty simple business model, right? He cooks, we eat. But as Gerard said, suddenly the ground turns into quicksand. Decisions have to be made. Employees needs change, policy decisions change, customer expectations change as we learn more about the virus and everyone figures out their own comfort level.

Elanor Williams: So, one thing that's been obviously a huge issue in front of us is people's risk tolerance and what they end up being afraid of, and how much that can drive their decisions.

Kurt Greenbaum: That's Elanor Williams, an associate professor of marketing at WashU Olin Business School. She's an expert in consumer behavior and her research has appeared in many top academic journals. She's also presented her work all over the United States and across Canada.

Elanor Williams: One of the classic judgment and decision-making findings is the idea of an availability bias, where the things that popped to mind easily often have an outside influence on people's decisions, which in some ways makes sense, but often can mean that we get led astray. If there's one big, very present fact or anecdote in our heads that can have more influence than there probably should. And so, we could see that a lot in the pandemic of what people were afraid of when and what they got over as they got kind of more used to this being the situation.

You sort of see that at first people were, you know, they were pretty terrified. And even though the amount that the virus is spreading was much smaller back, you know, back in March and April than it is now or it was in December. And yet people's behavior was very different. They were very much ensconced at home. That traffic was way down.

We could see all those patterns where really that people were avoiding others as much as they could. And even though the pandemic got worse, that, that shifted and people end up not being quite so afraid. They end up doing more things like normal because it just kind of become, you know, steady background noise instead of this really highly present, highly salient thing that they have to account for.

Kurt Greenbaum: And Gerard Craft spoke about that. He said specifically in our conversation he was working overtime trying to figure out what he and his employees were going to be comfortable doing, and that was paramount for him. Meanwhile, customers just wanted everything to be normal. And so, there was that disconnect, which seems like a marketing challenge when you're trying to operate a business.

Elanor Williams: For sure. Yeah, I mean, I think a little bit it's not so much the customers, who, you know, obviously wanted things to be normal. They kind of knew things weren't normal, but didn't know what the new normal looked like yet. And so, I think that was a big part of the challenge that he's talking about, is that I think customers generally understood that life is different now and there's going to be some sort of changes.

But they obviously still wanted, like, their tasty fresh-made pasta. And so, it was a little bit of having to figure out how to, how to balance all of that, that it wasn't so much that customers wanted things to be normal and expected them to be normal, but also their expectations weren't quite calibrated yet with what, what the restaurant was able and comfortable with offering.

Kurt Greenbaum: Well, and he also addressed this, and we've all seen it in the news, these, these cases where people who are operating a restaurant are trying to enforce rules that are unpopular with some or all of their customer base. Like “you're going to have to wear a mask,” or “I'm sorry, I can't accommodate a party that size” or we're not going to be open the, the hours that you've come to expect. That also seems like a big challenge when you're trying to run, particularly, a hospitality business.

Elanor Williams: Mm hmm. Yeah, they're—obviously, everybody's heard the phrase, “The customer is always right.” I think that's a terrible philosophy. Customers are often wrong, it turns out, but it's really hard to, to treat them that way in the hospitality business. And so that has been a lot of the tension, especially because as we talked about, people have sorted themselves into categories.

And so, you know, I think restaurants are really struggling with right now that the people who arrive to eat in person are more likely to be the ones who feel mad that, you know, things have changed and that there are expectations for wearing masks and distancing and that kind of thing.

And so, they're really getting—in some ways—the brunt of it, because the people who are scared and still don't feel comfortable doing any of that stuff aren't showing up and wearing their masks and doing all that stuff because they are more inclined to just, you know, to, to be more careful. And so that's been, I think, a huge part of the challenge in that particular industry for sure.

Kurt Greenbaum: Oh, that's interesting. So, you're saying the people who are showing up to sit down at a table are probably the ones who are less risk-averse.

Elanor Williams: Mm hmm. Yeah, and don't, don't agree with the need for masks all of the time or, you know, just are more on the side of, “I am going to treat things more like they were 11 months ago than they are now.” And so that kind of sorting, you know, the people who are more inclined to be like, I'm worried about the employees' well-being and so I don't feel comfortable breathing on them, essentially are the ones who are getting takeout, or not even showing up at all as opposed to the ones who are, you know, might think the issue is overblown, the masks aren't really necessary, or don't work.

They're the ones who are more likely to show up and expect to have things be normal and then the restaurant gets to, to deal with that.

Peter Boumgarden: I think at a high level, what you have to realize is that you are never going to get to a point where you have 100% certainty of the choice. So, for example, if you look at any sort of large choice that a restaurant might make, whether it was the shutting down or rebranding of Sardella or the launching of a new line of spirits and all of those places, there's not 100% certainty around how people are going to respond to it. And yet you still have to make the decision.

Kurt Greenbaum: That's Peter Boumgarden. He's WashU Olin's Koch Family Professor of Practice and Family Enterprise and a scholar in organizational behavior. Peter has lent his expertise as a consultant to restaurateurs and other small business owners around St. Louis since the pandemic broke. His work's appeared in the *Harvard Business Review* and numerous academic papers.

Peter Boumgarden: So, for many leaders, I think the challenge is trying to find where your set point is around choices. Do you—like me—wait too long, needing to collect more information? Or are you someone who perhaps decides without having enough information in front of you? Maybe the second thing I would add to that is this leads to the importance of testing and assessing certain hypotheses you have.

So, for example, if you're rebranding a sandwich shop, or if you are running an experiment with a new distillery or line of spirits, you want to get to as much clarity as you can about that particular choice, but then to realize that anything is going to be a bit of an experiment moving forward. And the best thing you can do on experiments is find ways to make a decision, see what the outcomes actually are, and then slowly adjust your strategy over time.

Kurt Greenbaum: Well, one of the things that I know came into play for Gerard, and you touched on this a little bit, those early decisions were largely about protecting his staff, making sure they were safe. In this context, hospitality is not just about the customer, but it's about the employees, too.

Peter Boumgarden: So, one of the things that becomes incredibly important for a chef like Gerard or anyone that has multiple different restaurants over time is they have to learn to scale the values that they care about. So, if you are the only chef, you're the head chef in a single-shop restaurant, you have a high degree of control of what happens in that space.

But as you think about the pathway towards growth of that business, as you move from one restaurant to two to three to four to five to six to two cities, you start to realize that you need to be able to have the imprint that you want to have on the organization without necessarily being there from a day-to-day basis.

Kurt Greenbaum: So, what I hear you saying then is as an organization grows, as it scales, in order to retain the things that are important to the founders of that organization, they have to codify in some way some of the things that they value about their organization so that that can be replicated in every store, in every location, in every geography.

Peter Boumgarden: I think that's right. It's the codification, it's the operationalization of these practices, these values that can hold it together. That's essentially what culture is to some degree. There's been some recent research about that, which suggests that making these values explicit has the benefit of becoming a sounding board, a rallying cry that employees can come back to. So, they say things like, "This isn't in line with who we said we would be." And they look at the values that have been made explicit to hold people accountable to where they want to go. So that does become an opportunity for leaders to be able to make clear a philosophy of how the organization should be acting, and then to ask employees to make sure that they measure up to those particular standards.

Gerard Craft: You know, we have five core values that are that are really, really important to our business. And the first one is hospitality. The second one is honesty. And that really refers to talking about hard things, you know, having hard conversations. And the next one is failure and kind of embracing failures. The fourth one is innovation, kind of using all those failures. Innovations can be both big and small. But innovation was so important for us, you know, throughout this pandemic, because just constantly trying to change and rethink how we were doing everything.

And then legacy. You know, what do you want to be remembered for? You know, we have to treat each other with respect and the hospitality goes first to each other within our business. So, you know, to the employees, to our coworkers, to our colleagues and to our purveyors. And so, I think if you look at those five values, they have really led us strong through this pandemic.

Kurt Greenbaum: When you look back, what is it that you remember most? What do you ... what have you ... what do you feel like you've learned?

Gerard Craft: You know, I think that seeing and living through something that I've worked for 15 years to build be pretty much swept away overnight just made me realize really, you know, there's been a lot of sacrifice to get here. And it's something that doesn't get talked about a lot. But, but to be successful in anything, you know, there are always sacrifices. The thing that I've learned for myself personally is that I want to make sure that the things that I'm doing are value-based and not just growth- or money-based.

Kurt Greenbaum: When this is all over, is there a culinary experience you're dying to have personally?

Gerard Craft: One of the things that I'm looking forward to is heading back to Brazil. I started writing a book about my childhood nanny, Dia, or Cecelia Assuncao. I think the, the biggest experience I'm looking for is to go back, spend some time with her family again, eating, cooking and, you know, really trying to connect with some of the things that really made me fall in love with cooking to begin with.

Kurt Greenbaum: And that's our episode of *On Principle*. Thanks again for joining us and thanks also to Gerard Craft for sharing his story. I should mention that since we recorded our interview with Gerard, he's reopened Taste in St. Louis' Central West End neighborhood. And he's announced plans to open a new restaurant this summer called Bowood by Niche. My thanks also go to Elanor Williams and Peter Boumgarden for their insights on this story.

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support for this podcast, which is the brainchild of Paula Crews, senior associate dean of strategy and marketing for the school. Once again, I'm Kurt Greenbaum, your host for *On Principle*. Thanks for listening.