

A culinary diversion

Morgan Stanley's Robert Scott has found the restaurant business a bit more strenuous than he'd imagined.

BY ANN MONROE

Robert Scott, Morgan Stanley & Co.'s head of syndication, may be one of the best lunch dates around. One of Scott's favorite restaurants is Mondrian, an elegant and expensive establishment in midtown Manhattan, where he is treated with remarkable deference. And why not? Scott is more than just a regular customer; he owns the place.

How did an investment banker get into the restaurant business? Almost by accident. In 1986 Scott was dining at one of his favorite New Jersey restaurants when Dennis Foy, the chef, approached. "You work on Wall Street, don't you?" Foy asked. "Yes," said Scott cautiously. "And you know how to raise money?" Scott nodded.

Foy said he had a chance to lease a restaurant site on East 59th Street. He and Scott spent several months talking about the proposition. "It was like the tar baby," says Scott. "I put in a hand, and a foot, and the next thing I knew, I couldn't get out." Scott planned to syndicate the financing, taking between 25 percent and 50 percent for himself. He modeled the restaurant's operations on a computer and wrote up a private-placement memo aiming to raise \$3 million to \$4 million. He sought six-figure investments from friends, but the fact that as many as 80 percent of New York restaurants fail within a year scared most of them off. "It was an interesting revelation," he notes sourly. "These guys might be tigers on taking market risks, but they're much less macho in front of their own checkbooks."

Eventually, he lined up six partners, all current or former Morgan Stanley colleagues. But he still ended up holding half of the equity (today he has 75 percent).

Decisions, decisions

The restaurant business also absorbed far more time and energy than Scott, who has responsibility for about 20 percent of Morgan's investment banking revenues, ever imagined. Scott not only arranged the

financing, he helped choose the flatware, negotiated contracts and ran staff meetings. "I thought I'd be an absentee landowner," he says. "It was very naive on my part." Still, it's a welcome diversion from Morgan Stanley's abstract billions of dollars.

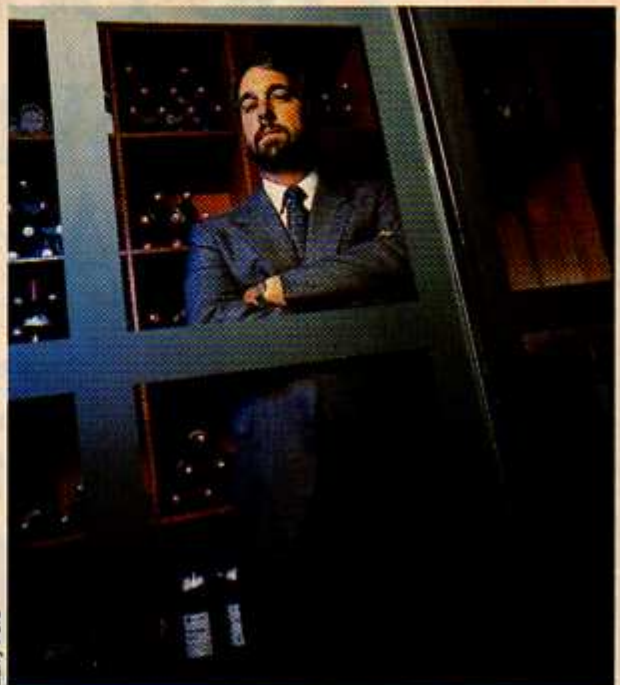
"This is a real business," he says, and he's had a lot of fun along the way.

Take the night they chose the tableware. Scott, his wife and their five children were eating in Foy's New Jersey restaurant when Foy appeared with cardboard boxes filled with plates. "What do you think of this one?" he asked. "And this one?" Scott's kids soon got into the act. "They said we ought to see how they look with dessert on them," says Scott. As Foy piled the plates with every dessert on the menu, other diners gathered around. Foy brought out flatware and spread it over more tables. Then came the glassware.

"By now," says Scott, "it was becoming quite a carnival." The staff soon joined the party. Foy decided that the glasses, too, needed something in them and began pouring wine and champagne. Soon the whole crew — staff, diners, the Scott family — were casting their votes.

Mondrian opened in August 1988 to great fanfare — and immediate problems. Foy "was intimidated by New York," says Tom Colicchio, who was sous-chef at the time. Food critics told Foy his cooking was too conservative, but he was afraid to try a riskier menu and ended up handing the problem over to Colicchio. Foy also had trouble running an operation so much larger than his New Jersey restaurant, where he needed just three other people. Mondrian employs 50.

Scott decided Foy had to go. It wasn't easy: Foy had become a close friend, and although Colicchio had actually been run-



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ning the restaurant, reviewers had credited Foy. "A prominent chef was much more fundamental to the business than I had thought," Scott says. "People like to know who's in the kitchen and where they've been and what their résumé is. It's show biz." Efforts to tell critics that it was really Colicchio's food they'd been eating met with mixed success. Although a New York magazine featured Colicchio as one of New York's top ten up-and-coming chefs, one restaurant guide still warns about Foy's departure.

With Colicchio in charge, Scott spends less time at Mondrian, though they talk regularly. Colicchio makes a point of checking out major expenditures and policy changes with his boss. "I like to talk to him," says Colicchio. "After I say my piece, I get feedback." Scott keeps a sharp eye on costs, helps with promotion and serves as a guinea pig for Colicchio's new creations.

For Scott, Mondrian has become the extended family that he says Morgan has grown too big to be. He has gone fishing with the staff, and last summer one of his sons worked in the kitchen chopping vegetables. Last January, after the trauma of Foy's departure, the Scotts invited the staff to a home-cooked dinner of roast pork, sauerkraut and cake for Scott's 44th birthday. "It was really funny to contemplate, as a layman, feeding a bunch of chefs," he says. "My wife's friends said we were crazy." But his guests came back for seconds. ■