



Entrepreneur of the year. (Ray Loewen of the Loewen Group Inc., largest funeral service organization in Canada)



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RAY LOEWEN HAS BUILT AN EMPIRE AROUND THE CELEBRATION OF LIVES LIVED: THE LOEWEN GROUP, NOW THE LARGEST FUNERAL SERVICE ORGANIZATION IN CANADA. BUT WAIT -- HE'S NOT DONE YET

WHEN IT RAINS IN VANCOUVER IT FEELS LIKE IT'S always been raining, like it will never stop. In the parking garage below Ray Loewen's offices, he shows off a 19th century, horse-drawn funeral coach. The sound of the falling rain echoes through the garage. The antique casket, visible through the thick glass side of the hearse, appears a smallish, macabre, ornate souvenir. There is too much lace, too much satin.

This is the moment in which to meet Ray Loewen, the young man from Steinbach in southeastern Manitoba who, so long ago, got the call to leave class to help his father, a part-time funeral director, conduct what Ray describes as a celebration of a life lived, not as the commemoration of a death. Today, at age 52, he's built a remarkable business around that celebration.

In those days, in the great Canadian prairie tradition, folks did what they had to do to put food on the table and a roof over their family's heads. Now, while it may be true that our national bread-belt spawns both farmers and hockey players, the real leavening of prairie culture is nothing other than the entrepreneurial spirit.

As he tells the story of his travel on the train of life, Loewen speaks softly, deliberately, in a voice that hints of the dry twang you'd expect to hear from a theme character in the first scene of an American western. He lets the occasional sentence dissolve into thought, allows pauses for consideration, lets you drift a bit with what may emerge as his own particular brand of wisdom.

It has been said that certain organizations are the direct outgrowth of the personality of the entrepreneur. Ray Loewen, seated in his oxblood leather chair behind his large oak desk shows visitors two distinct faces. Looking at you square-on he telegraphs responsibility, control, accountability, purpose and rationality. But then, in the pauses between thoughts, he tips his face slightly upward, off to the left, and visitors can study his half-profile: here he displays the qualities

of thoughtfulness, wisdom, and the one obvious trait that must be a common instinct among all people in his profession -- sympathy.

Ray Loewen presides over the second largest funeral company in North America, the largest in Canada, a status achieved through an aggressive acquisitions strategy, particularly over the last five or six years. The public company, known as The Loewen Group, specializes in buying the operations of independent funeral home operators who, after joining the Group, may stay on to run the funeral homes in communities they've nurtured for years. Loewen now heads a company that in fiscal 1991 turned in revenues of \$217.8 million, a 59 per cent increase over 1990. Net earnings were excellent -- \$19.1 million in 1991, up from \$12.9 million the previous year.

Such growth rates over a relatively short period -- the company has only been a serious concern since 1983 -- have meant the organization has shifted rapidly from a small entrepreneurial business to a large conglomerate, with all the difficulties that entails. As with any entrepreneur leading that kind of transition, Ray Loewen has had to contend with both operational and people stresses. In many ways the operations side now comes easily. People adjustments, however, can inflict pain. But Loewen, a man who understands the fundamental human being, manages with what may be instinct. He is a good coach.

THEY PLAYED HOCKEY IN STEINBACH IN THE '40s, just as they do today in all the towns across the snow-draped Canadian prairies, on outdoor rinks, on bitterly cold afternoons, when kids are wind-bitten and determined to make just one more rush, yet insulated against chills just by thinking about the great players of the National Hockey League.

"Every boy growing up in the prairies during my time wanted to play for either Toronto or Montreal, and we all believed we could. My kids were 16 before they realized I hadn't played for Toronto or Montreal." In fact, Loewen's love of the game proved an insufficient offering to the muses of professional athletics. There were, however, other challenges in store for the boy from Louis Riel country.

"I was always the guy that was easily bored. I was told, for example, that our high school never had as good an athletics programs as when I was athletics director. I was told that I was the only sports convenor for two terms. Which only tells you that I was bored easily and I suppose I was the kind of person to step into situations that needed some leadership."

It wouldn't be long before there'd be plenty of call for that. Ray Loewen's dad, an accountant and part-time funeral director, introduced the young Ray to the world of business. "He didn't have staff and as a result I was frequently the kid who was called out of school to help on funerals. I enjoyed that very much. I enjoyed getting out of school on every opportunity. And I enjoyed meeting the people throughout the whole southeast," Loewen says.

Southeast Manitoba might have been the beginning of Ray Loewen, but it wouldn't hold him for long. When he was barely an adult and attending theological college his father fell ill. "I was thrown into management at 21. Because I enjoyed business, I gravitated toward that challenge very easily. What was a very fledgling business at the time, I put on a fairly sound rational economic base, largely by trial and error, because I hadn't had a lot of economic coaching."

In truth it must have been difficult. Loewen had to make some tough decisions; he had to face firing his brothers and he had to learn very quickly about paying bills, marketing, merchandising and managing people.

In 1967 Ray and his wife, Anne, decided to move on from Steinbach to the thriving little town of Fort Frances, off in the southwest corner of Ontario, where the couple bought a funeral home, their first, aside from the family business back in Steinbach.

One day Ray sat indulging in small-town Canada's favorite daily ritual: drinking coffee in a downtown hotel with his business buddies. Ray was always the last to leave. George Wamsley, the hotel owner, asked if he knew Ray Bull in New Westminster. Well, yes, Loewen did know Bull. Did he know Bull's was still for sale? No, that was news. He'd looked into the business earlier but it was too big for him. But now he might be interested.

Says Loewen: "I left the hotel and called Ray Bull. And Ray Bull said he had a number of parties negotiating with his firm at that moment. So I told him, Ray, if you wait for me, I promise I'll be on the next plane out. So I flew out and very quickly we bought the business."

Loewen bought a few more funeral homes between then and 1975. Way back then he believed he could really build what he's built today; but the timing was wrong. A large U.S. firm had been on the acquisition path and devoured most of the best available acquisition spoils. The number of good buys simply wasn't sufficient. Having pursued his corporate grail for some time, Loewen finally realized he was running around too hard after "little dollars." It just wasn't worth the effort. In 1975 he gave up.

The vacuum that then engulfed him lasted but a few days. It was popped by a phone call from the Social Credit party asking him to run for office in the riding of Burnaby Edmonds. He agreed, beat the NDP incumbent and was off to Victoria.

Loewen had entered the political arena because, like thousands of other British Columbians of the day, he believed the political structure of the province under the NDP was less than optimal for those with personal initiative. Once he felt he had contributed sufficiently to a fundamental change in the business climate, he retired. No longer most effective in government, he returned to industry after one term.

Once out of politics, Loewen concentrated on real estate development, building Loewen Development into a significant real estate company. Among numerous other projects, he built a half-a-dozen high rise apartments in Burnaby, all in the \$10 to \$15 million range. Then, in 1981, recession cast its shadow across the economic landscape. Empires collapsed amidst the dying dreams of debt-choked entrepreneurs. And then there was nothing but the rubble of cheap real estate.

"I say jokingly that President Reagan called me and asked how we'd save the industrial world, and I told him we ought to raise interest rates from 18 per cent to 26 per cent. At that time we ended up spending a fair bit of time on our knees. After about a year I had sold all of my real estate holdings. I was, quite miraculously, able to get rid of all of those holdings and we wound up with basically nothing, other than being able to pay our bills.

"I then tried to put together water-slides, thinking of cash flow and real estate combination, and promptly lost another \$1.5 million, so..."

ALL THE WHILE, SINCE 1975, THE LOEWENS HAD been paying little attention to their 14 funeral homes. But in 1983 the phone started to ring; people on the other end had funeral homes to sell.

"An executor in Vancouver called, a lawyer in Port Alberni called, a realtor in Saskatchewan called -- said he had a number of listings. I still remember being upstairs beside my bed when I got this call from the realtor who told me he had five funeral homes listed and was I interested? I told him no. He says, 'Do you know who might be?' and I said no. He says, 'Do you mind if I send you this information?' And I'd learned some time ago that the fastest way to get rid of somebody is to simply be agreeable, so I said sure."

To make a long story short, he bought two homes in Regina.

For a time, Loewen found sufficient credit lines for growth through one major Canadian bank. But when the bank became preoccupied with its own balance sheet and pulled up on Loewen's credit reins he says he was forced to look elsewhere to replace that line. His new source? The ill-fated Canadian Commercial Bank. That relationship lasted about a year and a half.

"One day we were sitting in Calgary and the money wasn't coming through to close the deal. And then we heard on the news that the bank had gone bankrupt. At that point a receiver was brought in and called our loan."

It was then that the firm Loewen Ondaatje, which most people knew at the time as a very credible underwriting boutique in Ontario, approached Ray Loewen. To solve his problems, it wanted to

float a subordinated debenture.

"Chuck Loewen |no relation~ gave us true, professional financing-underwriting advice. And we've always really appreciated his advice in terms of how to structure the company in equity offerings. By a strange twist of fate we were able to put a subordinated debenture together and only give up 15 per cent of the company at that time, which really was an important stage in our development.

"It was a whole restructuring. With Canadian Commercial, we were about 9 to 1 debt/equity, running like a private company. Mind you, in this business debt/equity isn't a problem because the business is so stable -- we have all kinds of appraisal surpluses."

The shareholders' actual cost in financing the convertible subordinate debenture was about \$2 per share. Today that two bucks is worth about \$35. Those who have held have prospered.

That was 1986. At the time, The Loewen Group was running around with about \$40 million available for operations and acquisitions. The game plan was to acquire \$14 million in '86, \$10 million the next year, and \$4 million in 1988 -- but that quickly escalated as Loewen grasped the true potential of this business.

"I did see that there was a tremendous opportunity and a need out there. It was a time in funeral service when there was a huge vacuum, a time when the dollars involved in this business were big; very few sons or daughters wanted to take on their parents' responsibility. Tax consequences were very large, and there was lots of disenchantment within this industry -- a lot of funeral directors not knowing whether they were really respected, and not knowing whether they really wanted to be in the business. And there were some real competitive situations developing. People were somewhat unsettled in terms of whether they would be able to remain competitive.

"So we came along and we said that we believed in funeral service. We said we're proud to be in funeral service, confident we're going to be effective in funeral service. And there was a whole new crop of people out there who needed a long-term succession plan."

The rest, as they say, is history. By joining The Loewen Group these funeral home operators got what they needed and The Loewen Group began its remarkable rise. The last two fiscal years demonstrate this phenomenal growth. In fiscal 1989 revenues stood at \$75.7 million and the Group comprised 131 funeral home locations. After spending \$185.3 million on acquisitions during 1990, revenues soared to \$136.5 million and the number of funeral homes rose to 268. Last year the company spent \$90.6 million on acquisitions and revenues hit \$217.8 million. The company currently claims 374 funeral homes, 29 cemetaries and 13 crematoria in its roster of companies.

As for earnings, the corporation has shown an earnings per share (EPS) growth rate exceeding 30

per cent for each of the past three years. In 1987 and 1988 the company's EPS growth was more than 70 per cent. Current figures, modest by the standards of '87 and '88, still represent phenomenally quick growth, the kind that can rip the hell out of a lot of companies. Evidently this has not been the case at Loewen. Independent analysts are still predicting continued growth above 20 per cent for the coming two years.

OF RAY LOEWEN'S PSYCHE IT MAY BE OBSERVED that a fundamental duality has found comfortable lodging. It is a duality that takes flight in the form of an eagle, an image that pervades The Loewen Group. From Loewen's Principles of Management:

"To soar to the heights of possibilities one needs two equally healthy, strong wings -- one being that of people or service concerns, the other that of responsible planning and fiscal management. It is the balance of these wings that enables the eagle to soar beyond all heights."

Talk of the sense of mission to rationalize the funeral service industry in a gentle, human and economically responsible manner is given more than lip service at The Loewen Group. The fact is that the company is one of the true successes of the past five years, a period rife with bankruptcies and so-called downsizing. Loewen must have been doing something terribly right, for despite the company's extraordinary growth in the past five years, the corporate culture appears healthy, even robust.

"I have a saying: Be the best or join the best," Loewen says. "The only way you can enjoy it is when you're being successful and winning -- so we have always gone for the best people."

As for the competition: "We have a strong competitor out of Houston Texas; they're about twice our size. They haven't got the same hands-on experience. The industry feels violated by them. They practice top-down management as opposed to our bottom-up management. Our corporate credibility is really no stronger than our credibility on the local level. Our corporate structure is totally geared toward serving the people on a local level. Those are the people that are serving our customers."

Ray Loewen has succeeded where many entrepreneurs have stumbled. The Loewen Group's stock is recommended by several leading securities firms in Canada and in the United States. Most seem to believe the company will keep growing. In reality that means Ray Loewen has had to make the transition from the entrepreneur/small business person to a new role as effective corporate manager. He will tell you he gets great satisfaction from building a team.

Says Loewen: "The trick is to put together the middle management that has enough self-confidence to allow autonomy on a local level. We also work hard to take care of executives. We try to create the kind of culture that yields mutual support."

But the growth-spawned transition has not come without people problems. "One of the toughest lessons I have had to learn in the past couple of years is what happens when a responsibility outgrows an executive?" Where there is growth, there is adaptation. Loewen tries to channel that adaptation with a solid respect for people and a true, working sense of mission.

Loewen says the company is dedicated to creating an atmosphere in which its people have the opportunity to advance in their profession. It believes management's greatest responsibility is to grow its people: socially, professionally, spiritually, intellectually and economically. The Loewen Group's employees can share in equity growth through a stock purchase and stock options plan.

"We are committed to encouraging our people to dedicate time to community care programs and to involvement, in a variety of ways, within the communities they serve," Loewen says. He has described one wing of the eagle.

As for the other, economic wing, The Loewen Group follows a distinct code of business practices. That code has even been committed to paper.

WHEN YOU TALK TO RAY LOEWEN AT ANY LENGTH about his life and about his business, you eventually get to this question: Is this enough? Is The Loewen Group it?

"I don't quite understand what makes people think or do things. I grew up with a good work ethic. I came from a community and a family of entrepreneurs who believed in possibilities. So that was part of my personality -- believing in possibilities -- and second, that we make the best contribution to society that we were able to. That, together with the thrill and the challenge of making things happen, I think, points you in a direction. In terms of believing in possibilities, enjoying the competition, enjoying working with people, feeling that you're making a contribution, it's very rewarding."

Whether he stays with this business or moves on to build others, one thing is clear: Ray Loewen intends to grow his business even bigger. In mid-March he announced he was after Toronto's Arbor Capital, number two in the Canadian funeral industry with 1991 revenues of \$83.5 million. But he was unable to acquire 100 per cent of the company because of the reluctance of Arbor's chairman to sell. Loewen may have been delayed but he is certainly not defeated.

In the parking lot below Ray Loewen's office, ghost attendants crown the ornate 19th century horse-drawn funeral coach. The pall bearers today? Memories. And inside the smallish casket lies the body of Canadian pioneering history. The paraphernalia of death can be bold when it reminds us of how quickly time passes.

Loewen must be an expert by now at reading the nuances of grief, of understanding how people

face death, for when that moment of speculation, of introspection, or of wonder holds one briefly in apoplexy, Ray Loewen simply smiles and says, "Don't worry; we're going to a better place."

LOEWEN'S CREDO

"We take great pride in being members of this old and honorable profession and believe it is our duty to honor funeral service through conducting our business with integrity and professionalism. It is our goal to be a quality succession planning company. We understand that the pride and dedication a funeral home owner puts into his family business, and the community he serves, must be protected now and in the future. He is entitled to retire with dignity and pride.

"We believe in creating an atmosphere of fair and friendly competition. We take pride in our relationships with independent funeral directors and industry suppliers, and will continue to work with them toward the betterment of our profession. We recognize that nothing is as certain as change and that funeral service is going through a period of change. We are committed to influencing this change in a positive manner in the interest of our profession and society.

"We believe in long-term relationships. As such, we are unwilling to compromise long-term credibility for short-term gain. We expect our people to maintain the highest ethical standards in all they do, both at work and in their personal lives, for integrity and honesty are the cornerstones of our company and our profession.

"Employment and advancement...depends solely on ability and performance without regard to race, age, sex, creed, or national origin."

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