

Raymond L. Loewen

## POSITION/TITLE

Chairman, CEO &amp; President

## COMPANY

The Loewen Group

## WEBSITE

n/a

## LOCATION

Headquartered in Burnaby, BC;  
400 cemeteries & 1,100 funeral  
homes throughout Canada & the  
US

## TYPE OF BUSINESS

Death Care Provider &  
Consolidator

## NUMBER OF EMPLOYEES

16,000

## STATUS

Public (NYSE, TSE)

## YEARS IN OPERATION

1967-1999

## ANNUAL REVENUE

US \$2 billion

## RAY LOEWEN

### THE LOEWEN GROUP

Interviewed by Rick Goossen  
On September 16, 2005

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#### GENERAL ENTREPRENEUR QUESTIONS

1. *When did you start your first entrepreneurial venture and what was it?*

I was approximately 8 years old when I sold "Freshie," a powdered drink [like Kool-Aid] door to door in Steinbach [Manitoba], my hometown.

2. *What motivated you to become an entrepreneur?*

I would say my personality, combined with timing and opportunity; creativity and idealism also played a big part.

3. *Was there any one person who was a model of inspiration for you and in what way? [no need to mention a name, but rather was the person a close friend, uncle, co-worker, etc.]*

My father and his four brothers were very entrepreneurial. I recall, as a youngster, sitting and listening to their adventures. They were great storytellers! In those days they were all known by their initials. "J.T." was the first person to move gain elevators from one place to another. "P.T." started a General Motors dealership. "I.T." started an auto body shop. "C.T." built up a large lumberyard which was the forerunner of Loewen Windows, an international company today. My father, "A.T.", was known as the local accountant and helped many businesses in Steinbach at that time get started. He also founded a small

funeral home as well as being a key inspiration for the formation of the Steinbach Credit Union.

4. *Was your educational experience (to whatever extent) helpful? If so, in which way?*

My formal education did not help very much. I started helping my father in his ambulance and funeral home business at a very young age. As a result of this involvement with my father, I missed a lot of high school. Chasing down the highway at age 13 in an ambulance was a lot more exciting than high school. These types of experiences also helped me grow up quickly. One of my most memorable childhood experiences was driving an accident victim back to my father's funeral home in a serious prairie winter white-out situation at age 15. I have often wondered why my father had that much confidence in me to allow me to drive the ambulance in those conditions. I didn't even have my driver's license at that time.

5. *How many different business ventures have you started in the course of your entrepreneurial career?*

Rather than answering in terms of the number of companies I was involved with, I would rather describe my entrepreneurial ventures in terms of four stages: [a] the early years; [b] the political years; [c] the real estate years', and [d] the funeral home / public company years.

With respect to the early years, my brother and I bought my father's funeral home for \$56,000 in 1963. I was 23 years old at that time. I worked very hard to build up that business and put it into a solid economic position. I then sold my interest to my brother and purchased a beautiful funeral home in Fort Frances, ON from Rusty R.V. Green in 1967. That really gave me confidence in my ability and gave me a great financial start on my own. I also built two apartment buildings in Fort Frances. This gave me a good beginning in development and

construction. In 1969 I purchased a larger funeral home business in New Westminster, BC and moved my family to BC. I bought a number of additional funeral homes in the following years and continued real estate development on a limited basis.

I think of my second stage as the political years. I felt strongly about the anti-business direction in which BC was heading under the Dave Barrett government [the New Democratic Party, or NDP, a left-leaning party]. I was asked to run for the Social Credit Party [a pro-business, right-leaning party], got the nomination, and defeated Gordon Dowding, the Speaker of the House under the NDP. Winning the election was a great experience. Serving as an MLA [Member of the Legislative Assembly], however, was another matter. I soon realized I had too many business concerns that distracted me from my responsibilities as an MLA. I had also been told before I ran for office that I would only have to spend three months in Victoria and that I could commute a lot. I soon discovered that running a business, raising a young family and being a good politician simply don't go well together. In retrospect, being a politician was probably the toughest job of my life.

The third stage was "The Loewen Development Corp." period. I had built some apartment buildings in Fort Frances from 1968-9. I had also developed a large mobile home park. I thought that developing mobile home parks was a good way to build affordable housing and bank land at the same time. What I didn't realize was the municipalities really did not favour mobile home parks. I soon realized I had better cooperate with planning departments rather than be too creative. I had also done a fair bit of land assembly. After retiring from politics after one term I moved into real estate development in a serious way.

Between 1979 and 1981 I became one of the biggest builders and developers in the Greater Vancouver area. I put together a lot of high rises in the Central Park area of Burnaby and as far away as Burlington, ON. My development activities came to an abrupt end with interest rates rising from 18% to 26% as a result of the

commitments of the industrial world to bring inflation down to 1 to 2% annually.

My fourth stage was building a large funeral home company called “The Loewen Group, Inc.” I had slowly been accumulating a number of funeral homes during my political years and my Loewen Development Corp. years. After the excitement of my property development years I was really not very interested in funeral homes. BC was in a real estate recession for quite a few years after the 1981 real estate bust, however, and I was open to new opportunities. Very unexpectedly, people started to phone me and wanted to sell me their funeral homes. Because of limited other opportunities, I reluctantly began to pay attention to these requests. In 1984 my funeral home company had \$4 million in revenue. At that time the Royal Bank of Canada started to restrict credit and therefore we went to a Class B bank called the Canadian Commercial Bank. This change allowed us to continue our company’s growth I kept buying funeral homes until one day the Canadian Commercial Bank went into receivership and our company’s \$10 million loan was called. Because the banking community was still in an inflation fighting mode and continued to restrict credit we had no way to pay off the receivers. Therefore, out of necessity we put together a \$10 million subordinated debenture, coupled with a \$30 million acquisition line of credit from Royal Trust, to both pay off the receiver and also continue our acquisition strategy. A year later we went public officially on the Toronto Stock Exchange with a small public offering of approximately \$4 million.

It is said that for any industry or profession to mature and become fully accepted by society it must be economically rationalized. I realized that the time for funeral home consolidation had arrived. We had a winning formula. I understood the social, non-monetary needs of third generation funeral home owners who wanted to retire with dignity in their own communities and at the same time needed to do their succession planning. I also understood that few sons and

daughters wanted to be saddled with the same responsibilities of their fathers and grandfathers in the funeral home business.

The Loewen Group quickly gained a reputation for integrity, for taking care of the reputation needs of the selling family, and improving the services that the funeral home provided. This included a serious upgrading of facilities across Canada. One day a reporter came to see me and wanted to do a story. She tried to suggest that the public was better served if funeral homes remained individually and locally owned—often referred to as “mom and pop” businesses. I enjoyed telling her that The Loewen Group was still a mom and pop operation and introduced her to my wife, Anne, who was in the office next to mine and was responsible for upgrading and updating dozens of funeral homes from Port Alberni to Charlottetown, PEI.

The Loewen Group’s reputation grew rapidly in the industry and soon funeral directors in the US were asking us to come and help them with their succession needs. After considerable deliberation and due diligence we began to entertain the possibility of expanding to the US. One day I received a call from Dan Whitehurst of Fresno, CA. Dan had just retired as the youngest mayor of a major US city. His father who was the owner of a large, very highly respected business in Fresno and surrounding communities was getting on in years and was going into the hospital for a bypass operation. The family felt that it would be best to do their succession planning before he had his operation. I began to feel that the door to the US was wide open for us.

We continued to grow exponentially. By the time we “hit the wall” in Mississippi our revenue was well in excess of US\$1 billion. Our earnings had compounded for 8 years at 30% on a fully-diluted basis—and our stock had gone up 20 fold. The Loewen Group had truly become a darling North American growth story. By 1998 we had approximately \$3 billion in revenue and 16,000 employees. We also had a market capitalization of \$2 billion and were listed on both the New York

Stock Exchange and the NASDAQ Exchange in the US, as well as the Toronto and Montreal Stock Exchanges in Canada.

6. *What percentage of these business ventures do you estimate were financially successful?*

All the businesses were successful.

### **ENTREPRENEURIAL QUESTIONS REGARDING YOUR SPECIFIC BUSINESS**

[if the entrepreneur has been involved in more than one business (which is likely), then have them select their most notable success or their current business]

7. *How did you identify the opportunity that led to the setting up of the business?*

In both the real estate and the funeral home business, people came and sold me on the opportunity. I simply responded.

8. *What were the critical elements you assessed before you decided to pursue the opportunity? [i.e. the competition? the market?]*

In real estate it was demand. With The Loewen Group it was mostly a question of on-going local and head office management availability.

9. *How much time did it take from seeing the opportunity to the first day of business?*

Because my career involved acquisitions it was quite instantaneous.

10. *If you had partners, who were they, and how did you find them? [i.e. family, friends professional advisors, etc.]*

My wife was by far my most important partner.

11. *Did you have a business plan of any kind? [or any kind of written plan]*

In the real estate development years, it was again responding to opportunity. Every project had to have a careful plan.

The funeral home business was again responding to opportunity so, of course, you put together a business plan. You're constantly working with a plan which we called our corporate model.

12. *How much capital did it take? \**

During the development years, I put together about 10 high rises on a \$1 million line of credit. The appraisal surpluses were so great on the land assemblies, that at one point, I could have flipped all of these properties for \$20 – 30 million. So it's all in timing and how these things are put together.

With respect to the funeral home business our bottom line was around \$600,000 when we secured the \$10 million subordinated debenture. As I said, the Canadian Commercial Bank went broke so, in a sense, we were defunct if we hadn't gone to the equity market at that time.

So, the amount of capital is not the primary means to get a business going—rather it is timing and structuring.

13. *How long did it take to reach a positive cash-flow position?*

In good acquisitions the cash flow is instantaneous.

14. *If you did not have enough money at the time of the start, or at low points in the business cycle, what were some things you did in order to stretch your capital?*

As I mentioned previously, we had to go public because the Canadian Commercial Bank went broke. It was the first Canadian bank to go broke since the Depression.

15. *What did you perceive to be the strengths of your venture?*

The key strength for the funeral home company was our culture and our growth model. With a growth company you have to have a model or disciplined business plan, because the whole benefit of a growth company is your multiple of earnings and your stock price, and you have to have a model to get that benefit. You have to have the discipline of earnings growth, both top line and bottom line growth, year over year, which gives you that exceptional multiple in earnings, which makes capital much cheaper and gives you a huge advantage over your competitors. We had an 8 year growth rate of 30% on a fully diluted basis. You can imagine what that does for your credibility and access to capital. With a bottom line earnings multiple of 30% compounded on a fully diluted basis, we more than doubled our share value every 3 years or so. Further, 90% of our revenue was coming from the U.S. That's why The Loewen Group was really one of the exceptional North American growth stories of its time.

16. *What did you perceive to be the weaknesses of your venture?*

On the funeral home side, I was often asked, what kept me awake at night? I would always answer that my biggest and only concern was the availability of senior head office management that could keep up with our growth.

17. *What was your most triumphant moment?*

I would view my most triumphant moment as listing The Loewen Group on the "big board" (the New York Stock

Exchange), having breakfast with the Chairman of the NYSE, Mr. Grasso, and ringing the opening bell the morning of our listing.

18. *What was your worst moment?*

My worst moment was sitting in a Jackson, Mississippi court room and hearing a \$500 million judgment against The Loewen Group. This meant that we had to post a bond of \$625 million. Our book value was not even that large at the time even though our market capitalization was about \$2 billion. I instinctively knew that our growth story was finished, barring a miracle.

19. *Once you got going, what were the most difficult gaps to fill and problems to solve as you began to grow your company?*

Finding senior executives that could keep up with the growth of the company.

20. *What were the key attributes you looked for in people (partners, advisors, managers) as you grew the company?*

Talent, integrity and character.

## REFLECTIVE QUESTIONS

21. *What are some things that you have found to be most personally rewarding and satisfying for yourself as an entrepreneur?*

I have the inner satisfaction of knowing that I did a good job of balancing the social and economic concerns of our business. During The Loewen Group years I used to talk a lot about the importance of paying equal attention to both wings of an eagle, one being that of people concerns and the other being committed to fiscal discipline. I also took great satisfaction in mentoring and growing people in the company.

22. *What are the three most important lessons you have learned with respect to starting and running a business that you pass on to an aspiring entrepreneur? [this should not include faith-related issues, as this is dealt with in the following section]*

I would offer three lessons: do thorough research; be patient and disciplined; and count the personal cost.

### **FAITH AND THE MARKETPLACE**

23. *What does the term “calling” mean to you? [i.e. as a pastor is said to “called” to the ministry]*

There are obvious instances where individuals have had an absolute clear ‘calling.’ In my case I simply responded to obvious God-given opportunities with my God-given talents.

24. *Do you feel that you were “called” to entrepreneurship? If so, what does that mean to you?*

A favourite Scripture verse that probably explains my thoughts on the issue of calling is Psalm 32:8: “I will instruct you and teach you in the way you should go; I will guide you with my eye.”

25. *Who, if any one, affirmed that calling? [i.e. this could be a pastor, the church, Christian friends]*

I had an amazing prophecy from a Christian brother one day before the real estate crisis of 1981. He told me that God had told him to tell me that I was soon going to go through a very tough time but that if I was obedient to Him then God would help me through this time and show me that my company was His company. God did this in spades.

26. *What do you believe your gifts are as an entrepreneur? [gifts” as spoken of in the Bible]*

I enjoy people, I enjoy growing people, and I enjoy making things happen.

27. *How did you (or do you) integrate your business expertise with your Christian calling (and how are they complementary)? [i.e. a Christian architect assisting in the design of a new church building]*

I take the approach that is reflected in Colossians 2:6 which says “And now just as you trusted Christ to save you, trust Him, too, for each day’s problems.”

28. *How have you been involved in your local church (that you now attend and the ones you have attended in the past)? (whether or not these are related to your business expertise)?*

I had been heavily involved in leadership in my early years and later as a board member. My wife and I now divide our time between Vancouver and Maui; this does not encourage much formal involvement in the churches we attend.

29. *Have you been involved in your church denomination and how? [i.e. conference organizations]*

See #28 above.

30. *Have you been involved in para-church organizations and how? [i.e. Campus Crusade for Christ, Gideons, etc.]*

I used to be involved in an organization simply called “The Fellowship.” The Fellowship tried to serve and encourage business and political leaders around the world in their responsibilities and faith issues. It also organized national and provincial prayer breakfasts and retreats.

31. *What are some examples [i.e. situations with partners, suppliers, customers, etc.] of how you have integrated Biblical principles into your business practices and thus acted differently than a non-Christian due to your Christian faith?*

I have tried very hard to be a forgiving person. I have taken literally the Bible's admonition that vengeance belongs to God. I have taken seriously that God is faithful in good times and has purpose in bad times.

32. *What are the lessons you have learned that you believe are important for Christians pursuing entrepreneurship?*

Learn to submit and trust God in everything. Always remember that your faith and family are much more important to God than your success.

33. *How could the church in a general sense (i.e. a local congregation) support you as an entrepreneur in pursuing your calling in business?*

By simply caring about and for you.

34. *What have been the biggest challenges for you as a Christian in business?*

I suppose like everyone else—simply learn to trust God in everything.

35. *Who was most helpful (and why or how) in addressing these challenges: church leadership, Christian friends, etc.?*

My wife has been the most helpful person in my life. While an entrepreneur may appear to be gregarious, they are often quite private individuals. So I would say my wife, family, and a few friends were most helpful in addressing the challenges of practicing my faith in business—and the more successful we got, the smaller this circle became.

36. *Have you hired people from your church? If so, has that been a positive or negative experience?*

It has been a mixed experience.

37. *Have you done business with other people in your church and how? [i.e. mentoring, in partnership, buying products, giving them referrals, etc.]*

I have always done business in a much larger context than just the particular church that I am attending. Some of my experiences with Christians have been terrific; others leave a fair bit to be desired. I just wish that they could fall into the first category most of the time.

38. *Has your relationship with those people you have done business with in your church been positively or negatively affected—from a business and spiritual standpoint—by doing business together and how?*

Tough times will always come. To walk through real tough times with a Christian brother is a great experience. In other instances, it can be the opposite. I have experienced both.

39. *Is there any particular passage(s) of scripture that you have found particularly meaningful or that is inspirational to you?*

I will refer to two passages:

"I cry out to You, but You do not answer me;  
I stand up, and You regard me.  
But You have become cruel to me;  
With the strength of Your hand You oppose me.  
You lift me up to the wind and cause me to ride on it;  
You spoil my success.  
For I know that You will bring me to death,  
And to the house appointed for all living.  
Surely He would not stretch out His hand against a heap of ruins,

If they cry out when He destroys it.  
Have I not wept for him who was in trouble?  
Has not my soul grieved for the poor?  
But when I looked for good, evil came to me;  
And when I waited for light, then came darkness.  
My heart is in turmoil and cannot rest;  
Days of affliction confront me.”  
Job 30: 20-27

“In this you greatly rejoice, though now for a little while, if need be, you have been grieved by various trials, that the genuineness of your faith, being much more precious than gold that perishes, though it is tested by fire, may be found to praise, honour, and glory at the revelation of Jesus Christ...”  
1 Peter 1:6-7

#### **CONCLUSION**

*Do you have any questions or comments related to Christians in business that you would like to express an opinion on and that you believe should be included in or dealt with in future versions of this questionnaire?*

n/a