

Providing the right pieces to help regions grow their second-stage companies

Foundations are often seen as think tanks and grantmaking entities that fund other organizations' programs. Yet the Edward Lowe Foundation uses its resources to develop and run its own programs — an operating structure that is unlike the vast majority of nonprofit foundations in this country.

Since its launch in 1985, the foundation has been supporting entrepreneurship as an economic growth strategy, and it focuses on second-stage companies (businesses beyond the startup phase that have both the intent and capability for continued expansion).

“Research shows that this group of entrepreneurs generates a much larger percentage of jobs and sales than their numbers would suggest,” explains Mark Lange, executive director of the foundation.

“Yet despite their contributions to the economy, second-stagers are underserved and often underappreciated. Numerous programs exist to aid startups, but historically few resources have been available to assist second stagers — a trend we're trying to reverse.”

To this end, the foundation has developed a portfolio of programs that not only help second-stagers grow but also help communities create the kind of supportive culture these entrepreneurs need to flourish.

These range from leader retreats and peer learning programs to economic gardening networks. And though each delivers value on its own, the foundation's programs are strategically designed to complement each other and



become more powerful when used in concert.

Because entrepreneurship is a local phenomenon, the foundation distributes its programs across the country through entrepreneur support organizations (ESOs) and other community groups that have direct relationships with their local companies. We help ESOs understand what growth companies need to continue to expand and how to work with them — and each other — to build more vibrant, prosperous communities.

Like the entrepreneurs it serves, the foundation is constantly in motion, refining existing programs and creating new ones. “When we see a new opportunity, we're able to move quickly — both

to implement an initiative and to assess it,” Lange says. “We're not afraid to try something new. In fact, we've been called a ‘think tank with muddy boots’ because we're a catalyst for change. We don't just provide reasons to think differently, we provide the tools that entrepreneurs and ESOs need to act differently and get results.”

This culture of continuous improvement stems from founder Ed Lowe.

“Ed was always thinking, always questioning — whether it was a way to advance his business or improve his community,” observes Darlene Lowe, the foundation's chairman and co-founder. “And while he loved to ponder, he was equally passionate about transforming his ideas into reality. He loved to roll up his sleeves and get involved. I'm extremely proud to see his spirit so embedded within our organization.”

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*— Mark Lange,
executive director*

Data Innovation



In recent years, the foundation has made major strides in developing unique data sets and research tools, beginning with YourEconomy.org (YE). Launched in 2008, this free public website enables visitors to track business performance at the establishment level and confirm why second-stage entrepreneurs and existing companies are so important to the U.S. economy.

The YE website sets itself apart on a number of fronts, including new metrics, an elegant interface and search results that are fast — and easy to understand. YE also allows visitors to drill down from national data to see what’s happening at the state, metropolitan statistical area (MSA) and county levels.

“You don’t need to spend hours reading tutorials, and you don’t need an economist standing over your shoulder to interpret the numbers,” explains Gregg Cole, the foundation’s information technology and research leader. “Finding relevant data is a simple matter of jumping on the website and clicking your mouse.”

In 2009, YE won an award from the International Economic Development Council, followed by one in 2011 from the Council for Community and Economic Research (C2ER), recognizing YE for research excellence.

The YE engine continues to evolve and now features a subscription service where users create their own data regions and analyze them by industry codes. In addition, YE has served as a springboard into other data development activities, including the foundation’s Institute for Exceptional Growth Companies.

“Numbers can have incredible impact, especially for economic development professionals,” says Cole. “They help you uncover trends, explain what’s really happening in your region and measure the success of economic-growth strategies. Perhaps most important, numbers help you make decisions. Otherwise, you’re just tossing opinions around.”

**C2ER award winner
in 2011**

Research



The foundation's Institute for Exceptional Growth Companies (IEGC) is conducting a research program and developing a new generation of analytical tools to study high-growth companies, their economic contributions and the impact of equity funding.

The institute launched in 2011 with initial funding from the NASDAQ OMX Educational Foundation. One of IEGC's first projects was to create a database and website that looks at currently listed NASDAQ companies and shows their historic performance and role in job creation in comparison to other stock exchanges and all U.S. companies.

IEGC has also created a dynamic public website for the Association for Corporate Growth. Debuting in April 2012, GrowthEconomy.org examines the contributions of private capital-backed companies to the general U.S. economy. Visitors can view different time periods from 1995 to 2009 and drill down to the state and MSA level.

IEGC's advisory committee conducted its first request for proposals in 2011. This resulted in the selection of more than two dozen U.S. and European scholars who are now using IEGC data to study high-growth companies.

One of IEGC's goals is to expand the knowledge base of entrepreneurship, especially with regard to the middle market, says Doug Tatum, a professor at Middle Tennessee State University who heads IEGC's advisory committee.

"A better understanding of how growth-oriented, middle-market companies impact the U.S. economy — especially those that have received private or public equity financing — will provide valuable insights into how regions can support these important companies and what kind of regulatory practices and taxing policies are needed," Tatum explains.

Creating innovative
new data sets

Economic Gardening



In 2010 the Edward Lowe Foundation agreed to operate the National Center for Economic Gardening (NCEG) as one of its programs.

Often referred to as a "grow from within" approach, economic gardening helps existing companies grow larger. In contrast to traditional business assistance, economic gardening focuses on strategic growth challenges, such as developing new markets, refining business models and accessing competitive intelligence.

"Economic gardening helps CEOs identify opportunities they may not be aware of and points them to new tools and information they can apply immediately — which makes it ideal for second-stage companies," says Chris Gibbons, who originated the concept of economic gardening. "These firms are moving fast and need just-in-time solutions, which economic gardening is all about."

NCEG assists state and regional organizations by getting economic gardening programs off the ground quickly. This is accomplished through a national research team, comprised of experts in market research, geographic information systems, search engine optimization and social media marketing.

In addition, the center's proprietary Greenhouse Software System enables host organizations, CEOs and the research team to communicate virtually through a single, secure portal. The software system also handles administrative tasks and tracks progress.

In early 2011 NCEG had six pilot programs in place. By mid-2012 that number had more than doubled to 16 programs with more in the pipeline.

Another important function of NCEG is training and certification. "People often believe they're practicing economic gardening, when they're not," says Jessica Nelson, operations manager. "Certification is critical to ensure program participants meet national standards."

19 networks
in 16 states

Recognition



Companies to Watch (CTW) celebrates high performing, second-stage entrepreneurs — ones that not only are strengthening the U.S. economy but also transforming their communities into more vibrant places to work and live in. Debuting in Michigan in 2005, the recognition program has expanded to several other states.

CTW sets itself apart from other awards programs in several ways. For starters, it showcases a diverse group of businesses rather than targeting a particular industry. And though applicants are evaluated for past and projected growth, judges also look at other hallmarks, such as deploying new technology in a traditional industry or serving their communities.

“The program is also unique for its shelf life, because the awards ceremony is just the beginning,” says Joy Kitamori, the foundation’s CTW manager. Local host organizations and sponsors provide year-round programs to assist honorees, from networking events to media opportunities. In addition, awardees can take advantage of many foundation programs.

“CTW is more than just a pat on the back and a pretty award, it’s an ongoing opportunity to grow personally and professionally,” says Bonnie Alfonso, CEO of Alfie in Traverse City, Mich., and a 2008 honoree who has attended several of the foundation’s leader retreats.

Honorees benefit in numerous ways, from attracting investors and new customers to inspiring employees. CTW also offers distinct advantages for partner organizations, such as enhancing collaboration and increasing visibility.

“We’re comprised of five rural counties in the far corner of southwest Colorado,” says Ed Morlan, executive director of Region 9 Economic Development District. “Our association with CTW gives us greater statewide exposure, which helps us tell the story that entrepreneurs can build a successful business in southwest Colorado.”

**251 awardees
in 2011**

Leader Retreats



A cornerstone of the foundation’s educational offerings are leader retreats at Big Rock Valley (BRV), the foundation’s 2,600-acre home in southwest Michigan.

These retreats target two key audiences: second-stage entrepreneurs and leaders of entrepreneur support organizations. Programs vary depending on a group’s specific needs, but typically address the unique challenges of second stage, strategic direction and innovative business models.

“Curriculum is structured as a continuum, so each retreat builds upon the participant’s previous experience,” explains Dino Signore, manager of program development.

New content added in 2011 included modules on organizational change and conflict, geared to help CEOs better manage inherent change as their companies grow and leverage conflict so their organizations become more resilient and innovative.

“There are plenty of leadership programs out there, but what makes us truly unique is our deep understanding of second-stage entrepreneurs and peer learning — and content that is extremely relevant,” stresses Signore. “This isn’t just theoretical or nice-to-know information. We deliver concepts and tools you can take home and begin to apply immediately.”

Joan Auritt, founder of Auritt Communications Group in New York, has been attending the foundation’s leader retreats with her WPO chapter since 2009. “I’m definitely getting value,” she says. “The retreats have given me new ideas, challenged the way I think and manage my company.

“Even if we’re having a very difficult period due to the economy or changes in the digital world, I come back energized and ready to roll up my sleeves,” Auritt explains. “I have a better mindset on how to attack problems. I’m also equipped with the right tools and information.”

**Retreat schedule sold out
6 months in advance**

Peer Learning



A roundtable system designed specifically for second-stage CEOs, PeerSpectives helps entrepreneurs learn from each other.

PeerSpectives roundtables typically involve eight to 12 CEOs from noncompeting industries. The system revolves around confidentiality and experience-based learning rather than giving advice. It also features a precise protocol led by trained facilitators to ensure a balanced discussion.

“The structured format may sound off-putting to people at first, but once they try it, they’re hooked,” says Jessica Nelson, entrepreneurship operations manager.

Indeed, CEOs say they have benefited in a wide variety of ways, from learning to better manage cash flow to handling touchy personnel issues to becoming more effective, efficient leaders.

“Typically owners of second-stage businesses don’t have a lot of people they can discuss difficult issues with — especially those who don’t have a board of directors or advisers,” says Brian Sutherland, president of Highland Solutions, a Chicago-based technology firm. “The roundtable is a great place to bring up sensitive issues. We’re very specific about our business dealings and able to share what’s working and what’s not working.”

Launched in 2004, PeerSpectives roundtables were initially conducted through statewide licenses. In late 2007, however, the foundation created nonexclusive licenses so more groups could take advantage of the system. Since then, it has signed on more than 50 new licensees.

Although developed for second-stage entrepreneurs, PeerSpectives benefits others as well — including senior managers and leaders of nonprofit organizations. In fact, Womens Presidents’ Organization requires its chapter chairs to attend PeerSpectives facilitator training at the foundation within a year of their hire.

PeerSpectives
in 12 states

ESO Collaboration



In recent years, entrepreneur support organizations (ESOs) have come under increasing pressure to collaborate more to provide timely resources and reduce confusion caused by multiple organizations with similar missions. In response, the foundation has introduced a new program: Assets2Action.

ESOs can include chambers of commerce, small business development centers, universities, technology councils and economic development agencies. Their common bond: trying to accelerate entrepreneurs’ success.

“Yet collaboration is innately challenging for these groups because historically they’ve had to compete for money, members and recognition,” says Penny Lewandowski, the foundation’s director of entrepreneurship development. “In addition, organizations are so busy running their own programs that they don’t necessarily know what other groups are providing.”

The foundation’s Assets2Action program convenes regional ESO leaders to determine how their entrepreneurs are being served and help groups better leverage resources. The goal of this collaborative facilitation effort is to address any duplication of services, assess the region’s assets and fill in gaps so ESOs can increase their impact — and strengthen their region’s entrepreneurial culture.

Since the program’s launch in 2011, the foundation has been working with ESO groups in Florida, Michigan and Indiana, and is expanding the program to other states. “This isn’t just a matter of singing ‘Kumbaya’ and trying to get along,” Lewandowski explains. “It’s about identifying your audience and assets and then taking action together on projects to achieve a tangible result.”

The program’s impact extends beyond helping entrepreneurs, observes Sandy Bartow, vice president of entrepreneurial growth at JAX Chamber and an Assets2Action participant in Florida. “It’s a difference for the entire community by focusing on entrepreneurship!”

New program helps
ESOs build culture

Land stewardship at BRV

Reflecting Ed Lowe's great love and respect for the land, the foundation has a secondary mission of land stewardship, carried out at Big Rock Valley (BRV), its 2,600-acre home in southwest Michigan.

Due to its diverse habitats and landscapes, BRV has a wide variety of plants and animals, and many species are listed as special concern, threatened or endangered. To maintain this unique biodiversity, the foundation conducts a number of innovative land management practices.

Old-growth woodlands

BRV has about 750 acres of woodlands, which are managed for natural diversity and sustainability. "We've created demonstration plots to show the long-term effects of different management styles, including old growth, which accounts for about 15 percent of our woodlands," says Mike McCuiston, director of physical resources.

Unique ecosystems that are rarely seen, even in state and national forests, old-growth woodlands are generally no-harvest areas. Some thinning may be done for health or spacing reasons, but these cut trees and logs are left in the woods to decay.

Business and nature

Mother Nature offers a number of important lessons for entrepreneurs. Just like natural ecosystems, growth companies must be adept at balancing both order and change. Without change, a company can quickly become a dinosaur. At the same time, excessive change can alienate employees and confuse customers. The key is to sit at the edge of chaos and be alert to even subtle changes in your market and industry so you continually adapt and remain both innovative and relevant.

A few characteristics of old-growth woods include: trees of all ages, open areas of light that occur when mature trees die or blow over, craters resulting from the rootballs of fallen trees, and lots of large, decaying logs.

"These decaying logs are probably one of the most important components of old-growth woods," explains McCuiston. "They create a sponge effect and keep the area moist, even in dry periods, as well as slowing down wind and evaporation along the surface of the soil."

In the mid-1990s the foundation began restoring



Wetlands provide a critical habitat to many species, such as the eastern massasauga rattlesnake, a species of special concern.

native prairies using primarily seeds of regional genotype. Today BRV has about 175 acres of restored prairie land with about 100 different species of grass and forbs.

"Prairies provide important food and cover for wildlife, including many grassland birds," points out Jay Suseland, grounds maintenance superintendent at the foundation. "And because of the wildflowers that flourish in the ecosystem, prairies also serve as a food source for insects, which in turn, provide food for the other wildlife species using the habitat."

Prescribed burns

Like many habitats, prairies are fire dependent. Without a major disturbance every few years, they transition into brushy patches — and eventually turn into woodlands. To prevent this from occurring, the foundation conducts prescribed burns (planned, controlled fires) that remove excess thatch and debris, destroy invasive species, control the encroachment of brush and woody species and return nutrients to the soil.

“We’ve achieved some excellent results,” says McCuiston. “If you saw two patches next to each other, it would be easy to tell which one had been recently burned because of the increased growth and stand vigor.”

Similar to prairies, savannas are another disappearing ecosystem. A mosaic of open grassland and scattered trees (ranging from 4 to 50 per acre), savannas serve as the primary habitat to some listed animals.

The foundation’s environmental team is currently developing savannas in four areas of BRV — an endeavor that requires hours of thinning out existing brush before prairie grasses can be planted.

Other best practices at BRV include: managing for overstocked wildlife and invasive species; creating vernal ponds where amphibians can safely reproduce; establishing winter food plots for wildlife; and creating regeneration stands for certain woodland species, such as aspen and oak.

In addition to using land stewardship practices on undeveloped portions of its property, the foundation also incorporates good environmental management in and around its buildings. For example, the Tower of Tomorrow, a retreat center that opened in 2010, has been certified by the Leadership in Energy and Environmental Design, and a large portion of landscaped areas are planted with native

plant species. A new headquarters building, constructed in 2012, features a lot of natural light, a high level of insulation, and a geothermal heating and air conditioning system that reduces energy consumption. “Much of the landscaped areas are planted with native prairie and tree species,” says McCuiston. “A vernal pond south of the building, fed by stormwater run-off from the parking areas and roof, provides a good habitat to amphibians and birds — and a water source to other wildlife.”

Working with researchers

As part of its land stewardship mission, the foundation also makes BRV available to researchers and often provides them with onsite housing, logistical support and access to a field lab.

Recent research projects have included bioenergy, prairie and plant diversity studies led by Michigan State University students. In addition, members of the Eastern Massasauga Rattlesnake Species Survival Plan (EMR SSP), a consortium of zoos, have been visiting BRV each May since 2009 as part of a multiyear study.

“Giving researchers access to BRV helps us leverage our resources as we try to expand conservation knowledge and better manage habitats and species,” explains McCuiston.

Historical collections: managing our heritage

Launched in 1996, the Edward Lowe Foundation Archives provides historical information about co-founders Ed and Darlene Lowe, along with their business ventures and initiatives to support entrepreneurship.

The archives currently hold about 500 cubic feet of business records, writings, photographs, films, sound recordings and advertising material. Heidi Connor, manager of historical collections, recently digitized the moving image and media clipping collections and is now digitizing the photograph collection and updating the archives catalog to reflect losses incurred from a 2011 fire.

Over the years, the foundation has loaned out its archival material for traveling and temporary exhibits — and gifted many artifacts to museums. It has also leveraged the archives to create the Edward Lowe Information Center. Located at the entrance of the foundation’s headquarters property in southwest Michigan, the center is open to the public on weekdays and features historical exhibits of Lowe’s business ventures and efforts to support entrepreneurship.

Lowe’s inventions and his impact on the pet world continue to draw interest — and the archives have helped

the foundation respond quickly to media requests. In 2011 the Discovery Channel Canada aired a series “Inventions that Shook the World,” with a segment from the 1940s that included Kitty Litter. In 2012, the Kitty Litter story was slated to appear on a new television series produced by Katz Entertainment.

Archives are critical resources for organizations, Connor says. “They can be used in everything from ensuring that founders’ intent is remembered accurately to building employee pride and strengthening identity,” she explains. “Understanding the past has assisted us in understanding the needs, interests and aspirations of our organization today.”



The foundation tapped its archives to create the Edward Lowe Information Center, a mini museum located on its property.

Entrepreneurship at a crossroads



People typically associate foundations with social causes, so it may seem odd for our organization to be so involved in entrepreneurship. But the Edward Lowe Foundation is uniquely positioned to lead the entrepreneurial evolution needed to rejuvenate our country's economy.

Entrepreneurship and economic development used to run on parallel paths toward wealth creation and economic growth, but today they are converging because of a shifting economic landscape.

Economic developers traditionally focused their resources on recruiting; however, wooing large corporations is no longer a silver bullet for regional prosperity. At the other end of the spectrum, government programs have targeted small businesses and startups. Granted, small businesses and startups represent a large share of jobs due to their sheer numbers, but they're only one piece of the puzzle.

Today, the real linchpin for economic expansion lies in the middle market and what we call second-stage companies: growth-oriented businesses that have survived the startup phase but have not reached maturity. These companies are the true engines of net new job creation. Yet their contributions often go unrecognized.

That's where we come in. The Edward Lowe Foundation has a deep understanding of second-stage growth entrepreneurs and the changing economic landscape. This expertise is critical in educating support organizations, community leaders and policymakers about why these growth-oriented entrepreneurs matter — and how to serve them better.

The foundation's nonprofit status further enhances our

ability to facilitate the convergence of entrepreneurship and economic development. Because we focus on education and have no profit motive, we can intervene as a neutral catalyst for change, influence economic attitudes and help organizations to collaborate on new programs.

Our biggest challenge: Sustaining our own growth as our programs gain traction and expand across the country. As an operating foundation we use our endowment and program revenue to fund our work, but the combined pressures of decreased investment returns and rapid program deployment is limiting our ability to keep up with program demand. With that in mind, we're investigating new funding sources so we can continue to equip communities with the knowledge and tools to support their growth companies.

Ed Lowe always envisioned building an organization that would attract additional support, and I believe that time has arrived. America needs to recapture the spirit of entrepreneurship — and that means moving beyond the emphasis on small business. Entrepreneurship is not just about starting a business; it's also the process of growing a company. To truly rejuvenate our country's economy, we need to get as good at growing companies as we've become at starting them!

Chairman and CEO

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