The Entrepreneurial Journey of Edward Lowe

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by John Duggleby

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Preface: An Entrepreneurial Spirit

Ed Lowe was a remarkable person, but he would be the first to eschew the term "genius."

He downplayed as "a combination of ignorance and persistence" such milestones as inventing the cat-box filler known almost universally by the brand name of Kitty Litter® and blazing the trail for what has become the pet-supplies aisle in supermarkets. He didn't know—or didn't believe—that his ideas couldn't work, so he dug in and figured out a way to bring them to life.

Ed's success is a case study in creative thinking and action.

When Ed launched Kitty Litter in 1947, "entrepreneur" was a word rarely used outside of French class. Soon, though, he sensed that there was a difference between small businessmen like his father and grandfather and visionaries who lifted their enterprises, sometimes along with American society, to a new level.

Kitty Litter transformed cats from outdoor vagrants into "user-friendly" indoor companions that have surpassed dogs as the most popular American house pet. The Tidy Cat™ brand was one of the first pet supplies to appear in supermarkets and revolutionized the way pet products were sold. The $3.50 Ed made from his first Kitty Litter sale has mushroomed into a $900 million industry. Ed sold the business profitably late in his life, and he used much of his fortune to champion the entrepreneurial spirit by creating and endowing the Edward Lowe Foundation.

Ed's success certainly was not without challenge. Unlike entrepreneurs of today, he could not summon support resources with only a phone call or mouse click. Ed learned virtually everything by doing and, occasionally, by making mistakes.

To help new entrepreneurs smooth the rocky road toward rapid growth, this book looks not only at where Ed excelled, but where he might have done better.

Like Ed, many entrepreneurs have successfully taken their businesses past the startup stage, but are less prepared for the uncharted territory of transforming them into professionally managed, multimillion-dollar companies. This book examines Ed Lowe's life not as a cradle-to-grave biography of record, but as an insight into how he channeled the creativity that exists within all of us through the phases faced by a typical growth-oriented entrepreneur. We hope it will, as Ed liked to say, "put the rubber to the road" to help the next generation of ambitious entrepreneurs make their own—successful—entrepreneurial journeys. Through the work of the Edward Lowe Foundation, Ed's entrepreneurial journey continues on.

John Duggleby

Publisher's Note: In the Words of Edward Lowe

Each chapter in this book contains a column under Ed Lowe's byline that originally appeared in *The Edward Lowe PeerSpectives™ Report* newsletter. These columns are part of a series that explores the thoughts, ideas and unadorned advice of Ed Lowe the entrepreneur and seeks to communicate his lively, entertaining and engaging personality.

During his life, Ed Lowe used "plain talk" to speak about the bottom line from the bottom of his heart. We believe that these writings, revised and updated after his death, offer something truly of value, not only for your business but also for your entrepreneurial soul.

Introduction: A Legacy of Entrepreneurship

This biography is not the story of Edward Lowe's life, but instead, the story of Edward Lowe's entrepreneurial life, which was a journey of entrepreneurship, not only in practice but also in philosophy. We hope that it makes clear some of the central truths about this remarkable individual and the central purpose of the foundation that became his last, and possibly most influential, venture.

There's no doubt that Edward Lowe deserves to be remembered for his significant accomplishments in business. He built a $200 million company (about $300 million in 2006 dollars) from what he—and more than a few skeptics—called "dirt in a bag."

But he also deserves to be remembered for his accomplishments as the "entrepreneur's entrepreneur." He picked up that informal but telling title not because he was the "best" entrepreneur but because he became a vocal and nationally recognized advocate for entrepreneurs and entrepreneurship at a time when he believed society had all but lost its appreciation for the enterprising, independent business owner. Ed Lowe, in fact, feared that the entrepreneur was a "dying breed," and he made his point in forums ranging from college auditoriums to the national press to the Oval Office.

Today, when entrepreneurship is a staple of course offerings at hundreds of universities and the most successful entrepreneurs often achieve celebrity status, it might be difficult to envision Ed Lowe as one of only a few voices trying to call attention to the benefits entrepreneurial business owners bring to the economy and to society. But in 1967, for example, fewer than 10 universities even offered a course in entrepreneurship, let alone a curriculum.

In 1985, well before the entrepreneurial renaissance of the 1990s—the so-called dot-com decade—Ed and his wife, Darlene, established the Edward Lowe Foundation, creating a forum for his voice to be heard and his vision to be realized long after his death in 1995.

The foundation's programs today draw their inspiration directly from Ed Lowe's beliefs about entrepreneurship. During his entrepreneurial journey of half a century, Ed Lowe came to believe that entrepreneurs:

- Are the single most important source of energy and innovation powering the free enterprise system.
- Deserve recognition and support for their vital contributions to the economy and to society.
- Learn best from each other.

Entrepreneurs can learn from Ed Lowe, a peer, if they can find the time to think about—or "ponder," as Ed would say—the experiences he brings to the table and relate them to their own. The big lesson is probably one that most entrepreneurs, especially "beagle" entrepreneurs, already practice but that describes succinctly the way Ed Lowe thought about business and life: listen, learn, innovate. Nearly everything of value to an entrepreneur and, eventually, to society seems to result from actions driven by those three words.

It's easy to see that Ed's greatest contribution in business was to create a product that created an industry. Not so easy to see perhaps is his broader contribution in society: an aggressive advocacy for entrepreneurs and entrepreneurship. While the greater value of carrying the torch for personal commercial success might not be obvious—it doesn't, for example, serve society in the same way social service organizations do—a greater value still exists and carries an impact that Ed Lowe recognized and championed. It's really a simple concept: Untold numbers of individuals, families and communities benefit from the jobs, products and services created by successful entrepreneurs.

Ed Lowe sought to help the public, the press and the policymakers understand that entrepreneurs represent the point of greatest leverage from which to ensure a strong economy over time

and to raise to the next level anyone who is touched by that economy. He also hoped that such understanding would eventually lead to more public support for entrepreneurial endeavors and fewer obstacles, especially those put in place by government that, in fact, can become "brick walls" to growing companies.

Edward Lowe listened, learned and innovated, and the results of the entrepreneurial actions he took are legend. Today, headed by Darlene Lowe, the Edward Lowe Foundation makes the case for entrepreneurship in increasingly meaningful ways.

The basis for the foundation's work springs from Ed Lowe's beliefs about the role entrepreneurs play in the free enterprise system, society's developing recognition and support of that role, and how communities can and should support their local entrepreneurs. Those beliefs have led the foundation to support a new concept referred to as "economic gardening." Gardening encourages the growth and nurturing of new and existing local companies, in contrast to the common practice of business recruitment as an economic development strategy.

To put those beliefs to work in the marketplace, the foundation has developed initiatives that currently focus on a specific segment of entrepreneurs—those in the second stage of growth—and that emphasize peer learning among the owners of such companies. Ed Lowe saw this kind of company as the most productive leverage point for building and sustaining the U.S. economy and the free enterprise system.

Second-stage companies, as identified and described by the Edward Lowe Foundation, are past startup, face issues of growth instead of survival, and are not yet large corporations. They are privately owned and growth oriented, employ from 10 to 100 people and generate annual revenues of between $1 million and $50 million.

As part of its strategy emphasizing second stage and peer learning, the foundation offers three main initiatives to support the intentions of its founders and to fulfill its mission to "champion the

entrepreneurial spirit." (1) *The PeerSpectives® Roundtable System* helps second-stage business owners learn from each other. (2) *The Companies to Watch*℠ awards program celebrates the vital role second-stage companies play in the American economy. (3) The dissemination of regular reports and studies documents the impact of entrepreneurship in general, and second-stage companies in particular, on local economies and economic development activities.

In addition, the foundation facilitates retreats for members of the entrepreneurial community at its 2500-acre rural headquarters location—Big Rock Valley—near Cassopolis, Michigan. The foundation also exercises responsible stewardship of Big Rock Valley's natural beauty through the Big Rock Valley Nature Conservancy.

Just as "nothing happens in business until somebody makes a sale," nothing happens in free enterprise until an entrepreneur develops an idea, creates a product and pursues a passion into the marketplace. Ed Lowe deserves recognition because he understood the importance of entrepreneurship to the economy and to society, and he did something about it by speaking out and by creating, with his wife, Darlene, the Edward Lowe Foundation.

The foundation's work today and into the future will ensure that Edward Lowe will be remembered not only for his achievements in business but also for his vision of free enterprise that made him the "entrepreneur's entrepreneur."

Scott Pemberton
Director of Communications
Edward Lowe Foundation

Your New Perspectives

Entrepreneurs view nearly all of their information and experiences through the lenses of their companies. Similarly, as a reader, you will come away from this book with thoughts and opinions of Edward Lowe and the Edward Lowe Foundation based on your experiences. I hope that you will also look actively for new perspectives, however small, to help you think about your work and life a little differently. Remember, it was a slight change in outlook that started Ed Lowe on the entrepreneurial journey that continues to inspire the foundation's innovative programs and initiatives.

Darlene Lowe
Chairman and Chief Executive Officer
Edward Lowe Foundation

Acknowledgments

Edward Lowe died in 1995, but several people contributed information about his fascinating journey and made this book possible. Special thanks go to Darlene Lowe, Ed's wife and Edward Lowe Foundation chairman and CEO, who generously gave her time and support to the project.

Many former advisers and employees of Ed Lowe and current foundation staff members directly shared their insights and assistance. These include Don Bauters, Paul Bowles, Kathy Browning, Bill Burge, Nancy Cleveland, Heidi Connor, Paul Dongieux, Shirley Flanagan, Bob Follett, Ralph Gilges, Tom McCauslin, Mike McCuistion, Frank Moreland, John Pairitz, Wally Pollock, Jack Rand, Dino Signore, Dave Tooker, Eric Vines and Doug Wyant.

Also deserving mention are Edward Lowe Foundation Executive Director Mark Lange and Communications Director Scott Pemberton, who supported this effort in every way possible.

Ed would have been the first to acknowledge that he learned from countless others. Likewise, this book draws upon not only Ed's ideas, but the collective observations of many other experts on creativity, business leadership and the entrepreneurial mind.

1

Vision: Seeing The Extraordinary In The Ordinary

Ed Lowe believed that entrepreneurship is an instinct someone is born with, like musical talent or a penchant for math. He called this instinct "beagleism," a reference to the hunting dog that on one level springs from his rural roots but on another, deeper level goes right to the heart of the entrepreneurial spirit. In Ed's mind, a human being is an entrepreneur instead of, say, a professor or a banker, the way a dog is a beagle instead of a poodle or a bulldog. An oversimplification to be sure, which even Ed would probably have admitted to if pressed, but like many "simple" ideas it has the ring of truth.

A beagle can't control an inborn tendency to chase rabbits, even though the dog needs to learn the finer points of hunting. An entrepreneur is possessed by a passion to pursue opportunity—at times more elusive than the fastest of rabbits—but usually needs to learn the ins and outs, the ups and downs of growing a business. During the course of his enterprising life, Ed Lowe came to a realization that helping entrepreneurs achieve their potential was as valuable—and practical—a legacy as any successful business person could ever hope to leave.

Ed's personal journey in life began on July 10, 1920, when the world gained one more "beagle" entrepreneur. Born in St. Paul, Minnesota, Ed spent most of his childhood in small towns in southwest Michigan, where both his father and grandfather ran their own businesses. "Grandpa" Loren Huber operated a butcher shop and grocery store. Ed's father, Henry Lowe, joined the business briefly until family friction drove him to quit, a foreshadowing of what was to come later with his own son.

Henry opened another store not far away, in Marcellus, and soon learned that the 1,000 or so residents really didn't need a fourth grocer in town. So Henry took his wares on the road, equipping a truck with shelves and transforming it into a rolling store. This innovative solution earned him a market niche among farmers in the countryside. Henry sold them groceries, sometimes bartering for their butter and eggs, which he in turn sold to folks in town.

Unfortunately, the Great Depression brought the enterprise to an abrupt halt in just a couple of years. Farmers were at least as strapped for cash as almost anyone, but they could eat what they grew or raised at home, and Henry's niche closed. He struggled with several other short-lived, retail operations, including a bakery, shoe store and ice-cream parlor, until the repeal of Prohibition in 1932 presented him with a new opportunity. He opened a tavern in the even smaller town of Vandalia, and the venture stuck.

All business, Ed's assiduous father was a serious, sober proprietor who neither took a drink in his own establishment nor ever offered one on the house. By the time Ed entered high school, Henry had added an ice route and sand and gravel business to his one-man, small-town enterprise. As his mother, Lulu, increasingly stepped out of the house to help in his father's work, the teenage Ed was often left to his own devices, and he seemed to have inherited his father's drive to make his own way. Indeed, he was already making the most of a talent to uncover opportunity and then to take action that turned a profit. After others spent summer evenings listening to outdoor concerts, Ed spent the next morning collecting the Popsicle sticks that littered the park so he could exchange them for prizes. He also revealed a personal discipline, perhaps inspired by an ability to see the prize at the end of the race, to embrace profitable tasks, even if they might pose special challenges. In one venture, for example, Ed trapped small, nuisance animals for 10 cents each.

Ironically, Ed caused more concern for his parents within the confines of school. He struggled academically each year and repeated the fourth grade. "I'm certain that it wasn't for lack of native intelligence," he later recalled. "And it wasn't because I was rebelling against the academic establishment. I wasn't a rebel—a maverick, maybe. I could be called a maverick because I wasn't in the mainstream. I wasn't in any known stream."

Like many entrepreneurs, Ed had already developed a unique way of looking at the world and learning from it. In his mind, he was a thinker, not a student. "I like to examine things, solve problems and make imaginative projections," he explained later. "That's thinking, which is a lot different from studying. Studying is to follow the tracks of someone else. It's like a street cleaner following the horses."

For Ed, those horses were the commercial business courses, such as bookkeeping and typing, that his father forced him to take in high school. The elder Lowe wanted Ed to be a useful contributor to the family businesses, somewhat carelessly ignoring the failure of a similar collaboration with his own father-in-law. Ed did like business, but he was discovering that he was an idea person, and he hated the administrative school curriculum imposed upon him. This polarization of attitudes and approaches added to the friction already developing between the operating methods of father and son.

When Ed graduated, he felt obligated to drive his father's ice route, even though the more lucrative trade jobs for manufacturers in nearby South Bend, Indiana, attracted him. He had a serious girlfriend and appeared to be settling into a productive, if unremarkable, career. Then, as it did for millions of other young Americans, the Japanese attack on Pearl Harbor changed his life.

Ed Lowe never saw combat after he enlisted in the Navy during World War II, but he did see something else that would set a pattern for the rest of his entrepreneurial life. His machinist's experience landed him a mechanic's job, and he serviced Navy airplanes during the day. Free time in the evenings allowed his fertile mind to wander and led to one of his early inventions. While stationed in Florida, he developed a primitive underwater breathing device using oxygen tanks from airplanes. Eventually an officer confiscated his invention, and, legend has it, went on to create the Navy's new "frogman" underwater unit. Ed always considered this turn of events more than coincidental.

Coco Chanel: A New Look

If necessity is the mother of invention, it also made Gabrielle "Coco" Chanel the grande dame of the fashion industry. After bouncing through careers ranging from horse trainer to cabaret singer, the flashy Frenchwoman opened a dress shop in Paris in 1910. Just as her new enterprise was catching on, World War I broke out and created instant shortages of the silks and satins popular in female finery of that era.

Chanel turned to a completely unorthodox source for women's fashion: men. The garments of workmen and sailors were considered anything but haute couture, but she saw them differently. Chanel had always chafed against the corset-bound constriction of layers of dresses and petticoats, and maintained that women should be able to dress as comfortably as men. Pushed by a wartime

"Chanel turned to a completely unorthodox source for women's fashion: men."

scarcity of material, she created new designs with wool jersey cloth most commonly used for men's long underwear.

Chanel's loose-fitting dresses, two-piece suits and even trousers helped unbind female figures long before the Women's Liberation Movement. The colorful chanteuse kept herself in the limelight, and her visage became a template for the 1920s flapper, with a bob haircut, short skirt and pearls. Chanel leveraged her publicity into profits by pioneering the marketing of high fashion clothing using the designer's name. She cemented this position by introducing what after more than 80 years is still the world's best known perfume, Chanel No. 5.

Coco Chanel saw something extraordinary in the ordinary. She gave women's fashion a revolutionary new look in much the same way that Kitty Litter gave both cats and cat lovers a new lifestyle because it "brought the cat indoors." Though relatively few women today shell out $5,000 for a suit from the House of Chanel, every woman who dons a pair of jeans or a business suit feels the impact of this intrepid entrepreneur.

Other brainstorms proved more lucrative—and proprietary. Transferred to a base in San Diego, Ed ran across a civilian concessionaire with a system for stamping names and identification numbers on sailors' clothes. Such identification on uniforms was a requirement for Navy personnel, so Ed bought one of the kits and used it for his own uniforms back in his barracks. Ed's efficiency soon caught the eye of other sailors. When they asked where they could obtain a stamping kit, Ed set up his own bunkside shop, quickly obtaining a supply of rubber letters and numbers, wooden frames, pads and ink. He was in business once again.

Ed whittled his cost to create the customized stamping kits to 50 cents apiece and sold them for $2.50. Since all sailors needed to identify their uniforms and San Diego was home to one of the largest Naval bases in the United States, Ed enjoyed a huge captive market. He eventually took on a partner to double his sales reach.

But Ed again bumped up against one of the first of the many government-related obstacles he would face as an entrepreneur and that he eventually came to call "brick walls." When Ed was on a barracks sales call, a lieutenant entered the other end and called out, "Where's the fellow who's selling those rubber stamps?" Fearing another confiscation, Ed tossed his merchandise out the nearest window and quickly followed. He later joked that it was his first entrepreneurial lesson in the importance of a strategic withdrawal.

The profits, however, were no joke. That year he banked almost $5,000. During the World War II era, that constituted a handsome full-time income for a civilian worker, let alone a sailor operating a business in his off hours. But for Ed it was more than just money. It was another early display of his entrepreneurial powers of observation and his determination to act on what he saw.

Ed saw beyond the ordinary routine practiced by hundreds of thousands of servicemen of stamping their uniforms. He saw an extraordinary opportunity to create a living, breathing business.

The original idea wasn't his, but like millions of startup operators before and since, Ed learned how to use every means possible to survive and prosper. He couldn't wait to apply his lessons to the civilian business world.

When the war ended, reality quickly set in for 25-year-old Ed. He had married while on leave in 1943 and now returned to his hometown, a wife and an infant daughter. Jobs were scarce as released servicemen flooded the market, and his father offered him $45 a week to drive a truck on the roads of southern Michigan. His job? Buying and selling sand, gravel, clay and sawdust—clearly not heady stuff for Ed's restless entrepreneurial mind and spirit.

Naturally, exercising again that invaluable talent of finding revelation in routine, Ed couldn't help but ponder how even these nondescript commodities could be leveraged into new markets. Waste products such as sawdust were being sold to machine shops as an oil and grease absorbent, but Ed thought bigger. On his own time—his father frowned on experimentation during working hours—Ed built a new system to screen the larger-sized particles of sawdust preferred by meat packers. He bagged the new product, drove to Chicago and returned with a carload of orders from the slaughterhouses of Swift and Armour.

If this "beagleism" impressed Henry Lowe, he didn't make it apparent to his son. Though Ed's business card eventually read, "Lowe & Lowe Co.," there was no shared leadership in the arrangement. Henry made all the business decisions and never discussed the bottom line with Ed. Some of those choices, Ed later noted, could be "spelled f-i-a-s-c-o." One of the worst was Henry's determination to enter the coal business after World War II. He had always envied the money coal companies made, but his perspective was 20 years behind the times. The age of steam was ending in favor of oil for heating and power. Lowe & Lowe soon lost a bundle in price wars with existing coal suppliers anxiously escaping the business that Henry was so eagerly entering much too late.

Ed later observed that "all entrepreneurs start out as small business owners, but not all small business owners are entrepreneurs." It was a lesson he learned firsthand from his grandfather and father. Grandpa Huber was self-employed and traditional in running his grocery and butcher shop. He was a hard worker, but not entrepreneurial.

Henry Lowe was more willing to try new ventures ranging from the tavern to the sand and gravel business, yet still saw opportunities from a narrow perspective. His growth strategy, if any, was to branch into as many proven businesses as he and his beleaguered son could manage and to concentrate on local markets. At the most, Henry could be considered a first-stage entrepreneur who reached a level of success that enabled survival, but would never rise beyond a ceiling created by his inability to be truly entrepreneurial.

Ed shared his grandfather's and father's determination and penchant for hard work, but he also injected the classic entrepreneurial trait of uncovering opportunity by seeing things in a different way. It was as wildly different from his father's perspective as a Dusenberg was from a Model T. Ed chafed under Henry's autocratic business practices, especially when his father's decisions more than consumed profits from his initiatives. When a truck burned in a sawdust fire, it symbolized to Ed the hopelessness of trying to fit into his father's way of looking at business opportunity. "It was time," as he later said, "for Ed Lowe to lift up his head and take a look at the future." The beagle entrepreneur soon began tracking new quarry.

Ed Lowe on: **Opportunity**

Entrepreneurs are usually seen as "big idea" people, and I certainly wouldn't argue with that assessment. But as they used to say in the Michigan towns where I grew up, a great idea and a dime will get you a ride on the streetcar. The "eureka moment"—when you get that inspiration that will somehow change life as we know it—is a prerequisite for entrepreneurial success, but not a guarantee. Avoiding the business bone-yard requires a keen awareness of new opportunities that open up each day and using your knowledge and savvy to capitalize on them.

For example, clay is as critical for Kitty Litter and Tidy Cat products as silicon is for computer chips. So when my business expanded west of the Mississippi, I needed to find suitable mineral deposits near my new markets. I started in St. Louis by calling on distributors of industrial grease and oil absorbents. I learned that they got their material from Oran, a little town 150 miles to the south. I hightailed it to Oran and began snooping around.

I discovered that a mining company had just set up an operation there, getting into the absorbent business for the first time. They normally manufactured highly specialized bricks used in the likes of steel furnaces, and they were accustomed to getting around $10,000 a carload for their merchandise. Clay oil absorbent then sold for about $600 a carload. They were pouring bushels of money into the operation, and my geologist Jack Rand concurred with my hunch that they would soon be bailing out.

"It requires not the genius of an Einstein, but the keen instincts of a Daniel Boone."

And as luck would have it, we were discussing the very subject at a local bar one night, when talk of another new mining venture drifted over from the next table.

We introduced ourselves with a round of drinks, and our new friends revealed that they represented a mining company from New York; they were here to extract clay to use as a binder for iron-ore pellets at a huge operation of theirs in Missouri.

"It won't work," Jack whispered as soon as we left the bar. "It's the wrong type of clay."

I bided my time and made occasional trips to Oran to observe each company's demise. After about a year and a half, both of them had dug themselves in so deep that dickering with them was like bidding on deck chairs as the Titanic sank. I acquired the local mineral assets of both companies for about 10 cents on the dollar.

I've had only one stroke of inspiration as big as Kitty Litter, but hundreds of chances to see and jump upon opportunities. It requires not the genius of an Einstein, but the keen instincts of a Daniel Boone. An indispensable associate like Jack Rand doesn't hurt either.

2

Perspective: Finding More Than One Right Answer

Despite what some biographers would have us believe or,perhaps more to the point, what we ourselves might wish to believe, great discoveries and inventions aren't always a sure thing.

Sometimes significant discoveries are clearly the goal. Thomas Edison set out to invent artificial lighting to extend the day, and he succeeded—even though he burned through more than 1,600 different filament materials along the way. More recently, the teams of researchers that solved the puzzle of the human genome also knew what they wanted to do, and they eventually pieced together the structure of life.

But sometimes the goal is not so clear. Sometimes the goal is not even a goal until it's achieved. The creator of the Post-it Note adhesive—3M scientist Dr. Spence Silver—knew he had something special in a peculiar substance that couldn't make up its mind—to stick or not to stick. But it took four years of championing the seemingly worthless adhesive to higher-ups; the faith of a new product developer, Art Fry, and a religious experience to propel Post-its on their journey to such amazing success.

A church choir member, Fry marked hymns with loose scraps of paper, which kept falling out. Inspiration struck during a rehearsal, and today Post-its are nearly as essential to the lives of human beings as cat-box filler is to the lives of cats.

Now, while it's true that the discovery and development of Kitty Litter doesn't rank with the invention of the light bulb, Post-its are another matter.

Ed Lowe's talent to see possibilities, to persist at finding an answer to a mundane problem, to see opportunity where others saw "dirt in a bag" was remarkable and, in fact, did much more than make him wealthy. It made a significant impact on two aspects of American life.

First, the invention and the eventual widespread distribution of Kitty Litter changed the lives of cats, cat lovers and many of the rest of us forever. Kitty Litter is credited with launching a brand new

industry, the cat-box-filler business, which is nearly a billion-dollar industry today. Over the years that industry has employed hundreds of thousands of people. Cats have become the most popular domestic pet in America, far surpassing the longtime champion—the dog. (Today, with the count at 77 million cats and 61 million dogs, it's clear that Fido has rolled over and Kitty is king.) Perhaps the most noticeable weekly impact is the pet-products section in the supermarket. Even if you don't walk down the aisle, you take a few more steps in your shopping trip to walk past it.

Second, and less obvious but more profound, is that Ed Lowe's pursuit of Kitty Litter made him a vocal advocate of entrepreneurship as being vital to America's economic success. Years of hard work and hard-won profits, of missteps and misdirection, created in Ed Lowe the belief that no matter how independent most entrepreneurs are—and must be—that they can use a lot more help than they will ever receive. And he believed that such attention and support benefit not only entrepreneurs as individuals but also America as a society. What else best erases poverty and the pain it causes than more and better jobs? And who creates those jobs?

Ed Lowe came to believe in the value of entrepreneurship as the cornerstone of the free-enterprise system. And, even more important, he acted on that belief in a way that even today serves to improve the quality of American life in meaningful and far-reaching ways.

The origins of Kitty Litter, however, were anything but profound.

In 1946 the Lowe family business began stocking a type of absorbent clay pellets known as fuller's earth. Ed hit the road, trying to sell the idea to area poultry farms that clay made great nesting material for chickens. He called the product Chicken Litter, but he couldn't convince died-in-the-wool farmers of its benefits. He lamented that "it never worked out, although I think the chickens liked it."

Undaunted by an apparent mistake in judgment, Ed pondered different ways that this absorbent fuller's earth might be used. Then one frigid January day in 1947, a friend dropped by his house. She had brought her cat indoors because of the cold—a privilege rarely accorded to felines at the time—and had set up a box full of ashes for the angora to "do his business." But the cat was tracking soot and scent throughout the house, so the woman asked Ed if he could spare some sand for her to try.

The problem was that winter in Michigan meant that any sand Ed had was frozen rock hard. Ed knew that the woman's cat would track sawdust to the same extent as it did ashes, though with a pleasanter smell. He thought for a moment, then suggested fuller's earth clay pellets. Ed gave her a five-pound bag and promptly forgot about it—until she returned for more.

"This stuff is fantastic!" she gushed. "What do you call it, Ed?"

Ed's recently failed venture flashed through his mind. "Uh…Kitty Litter," he responded. That was good enough for his friend, who left with another five-pound bag. She kept coming back, and, as in a retailer's dream, brought her many cat-loving friends. By changing his perspective, Ed found more than one right way to use fuller's earth as an absorbent. If farmers weren't impressed, cat owners were ecstatic, even if there were only a few. By using this so-called Kitty Litter, their cats could literally come in from the cold to become members of the household. The dogs never saw it coming.

Still, Ed didn't immediately regard Kitty Litter as something that would forever change pet ownership and make him a fortune. He admitted that the potential for Kitty Litter's success "didn't dawn on me that day, just like I don't imagine that the first fellow to discover fire immediately ran around his cave yelling, 'Hey, now we can all stay warm and barbecue ribs!' " Truth be told, Ed was both amused by Kitty Litter's unexpected popularity and irritated by the increasing flux of people beating a path to his warehouse.

Andy Grove: Tough Question, Tougher Answer

AP/Wide World Photos

In 1985 Intel saw the future and it was Japan. The company had ruled as the world's largest producer of computer memory chips, but the Japanese could now match Intel's quality at a lower price. There was no getting around it, something had to change dramatically.

Andy Grove met with other Intel leaders who bickered about what to do. Some favored an all-out "go for it" strategy of building a huge new factory that might produce cheaper chips, though its startup could cost a fortune. Others advocated an exhaustive search for a sophisticated technology the Japanese couldn't imitate, even though memory chips had become essentially a commodity item. Still others argued for creating new specialized niches for memory chips, even though the emerging personal computer market was a moving target at best.

In a summit with Intel founder Gordon Moore, Grove asked, "If we got kicked out and the board brought in a new CEO, what do you think he would do?"

"Grove's change in perspective meant turning Intel inside out."

Moore reckoned that such an outsider would probably cut their losses and exit the memory chip business completely. Grove responded, "Why shouldn't you and I walk out the door, come back and do it ourselves?"

Figuratively, that's exactly what they did. Grove took a brutally honest outsider's view of what Intel was and wasn't. The company wasn't able to compete with the Japanese, but it was a leader in the then-new technology of microprocessors. More sophisticated than chips that merely stored memory, microprocessors were the "brains" of a computer that actually performed calculations. No firm, Japanese or otherwise, was a major player in this new but rapidly growing market.

Grove's change in perspective meant turning Intel inside out. Over three grueling years, about one-third of its employees were laid off. The gamble paid off when Intel's microprocessor took over the market so completely that its brand name of Pentium—with the tag "Intel inside"—gained wide consumer recognition as the quality standard. Grove's different, outsider's view of an internal crisis saved the company and lifted it to new heights.

He likened his accidental brainchild to those trick birthday candles that keep flickering back to life no matter how often they're blown out.

After a few months Ed decided that he might as well invest some more time, effort and imagination into profiting from this fuller's earth he had so far provided for free. He tacked a simple sign on the door: "KITTY LITTER—Takes the place of sand, absorbs and deodorizes." Several customers responded, but for someone used to selling commodities in hundredweights or tons, pushing Kitty Litter one five-pound bag at a time was a nuisance. This dilemma, in fact, inspired one of Ed's best-known "general rules": *A big deal isn't a big deal unless it's a big deal.* He was determined either to find a mass market for Kitty Litter or to give it up. And he had a few ideas about how to make the decision.

One day before hauling a load of sawdust to a customer in nearby South Bend, Indiana, Ed filled 10 bags with Kitty Litter and emblazoned its name and slogan on the outside with a grease pencil. Later that day he stood before the owner of the Davenport Pet Shop trying to make his first commercial sale. The man was nearly incredulous that young Mr. Lowe thought customers would pay 69 cents for five pounds of what he considered "dirt in a bag."

"No way! Nobody will pay that much," he retorted, Ed later recalled. "I can sell a big bag of aquarium gravel for a dime."

Adept at adapting—an entrepreneurial survival skill he would use again and again as he built Kitty Litter into a company with gross annual sales of $165 million—Ed quickly altered his sales perspective and his price. "Well here it is," he replied. "I'll leave it, and you can do whatever you want with it. Here's my phone number. If you need any more, give me a call."

Ed's little gamble paid off. Within three weeks. Mr. Davenport was on the phone wondering, "Can you get any more of that stuff you call Kitty Litter for me?" A cat-box-filler revolution had begun.

For a while, though, it was hardly the meow heard around the world. Ed scoured the area, calling on other skeptical pet-shop owners. He put together a simple yet convincing demonstration: He poured a glass full of water into a small box of Kitty Litter, then stirred it with a stick until the moisture disappeared. This approach turned out to be even more effective than free samples, particularly because Ed left behind a kit the owner could use to show his own customers.

When Ed learned about a regional cat show coming to South Bend, he smelled—so to speak—another opportunity. In exchange for a free exhibit and sales booth at the show, Ed volunteered to supply Kitty Litter to the hundreds of felines at the event—and even to clean the trays. The show organizer questioned Ed's sanity but gladly accepted the offer.

On a poster, Ed supplemented the Kitty Litter name with what became one of the most famous slogans in pet-supply marketing: "Ask Kitty: She Knows." Though Ed was admittedly never a true cat fancier, he had an innate ability to see things through the perspective of others—in this case, cat lovers. The slogan and the product were both hits with cat owners at the show. Ed was practicing guerilla marketing before it even had a name, changing his perspective to match the moment, and it was working.

For worse—or, as things turned out—for better, none of this impressed Ed's father, who considered Kitty Litter a hare-brained idea at best. Henry considered the time Ed took to produce and market his product, plus the money spent on upgrades such as printed labels, to be a distraction from the core businesses of sand, gravel, ice and coal. Plus he was downright embarrassed that people around the small town of Cassopolis were beginning to dub his son "The Cat S__ King." Kitty Litter may have improved life for cats, but it ignited the conflict already smoldering between father and son.

In 1949, two years after Ed invented Kitty Litter, Henry

ordered him to quit fooling around with it and "stick to business." At age 29, with a wife and now two young daughters, Ed faced the moment of truth that nearly every new entrepreneur encounters. Should he step up to the edge and leap into the abyss or step away and lean back into business as usual? (Not an easy question to answer, depending on the way you look at the world. While the bulldogs and poodles among us see huge risk in the leap, entrepreneurs often see huge risk in leaning back too.)

Ed leaped. He told his father that the time had come to part ways, asking only for his Kitty Litter business. Henry could have everything else. Ed later recounted that the elder Lowe ended the relationship unceremoniously saying, "OK, get out!"

Caught in the middle was Bob Follett. He drove the delivery truck for Lowe & Lowe and filled in wherever else was necessary. "Both of them wanted me," Follett recalls, "but even though Henry had the big part of the business, I wanted to work for Ed. He was younger than Henry and more aggressive. Besides," he admitted, "if I had gone with Henry, I figured that Ed might be aggressive enough to eventually be running the business anyway."

Within a few weeks, Ed's father stood awkwardly before his son with a proposition. The elder Lowe shared that for some time he had hoped to move to Florida anyway. If Henry took the current receivables, Ed could have the warehouse, truck and inventory. "It would give me back the old warehouse and office to operate from," Ed figured, "and a little cash flow until I could get on the road to building the cat-box-filler industry," Lowe's Inc. was born.

The day Ed formally became the owner of his own company also revealed his first big mistake, though not his only one. Loathing ledgers and balance sheets, Ed had failed to examine Henry's books. From a loan on the truck to bills from mineral suppliers, Ed suddenly found himself about $15,000 in debt to hungry creditors, a large amount at the time. "I didn't ask about assets or liabilities," Ed admitted.

Ed quickly learned that "you can't step halfway over a hole," as he put it. He created a prioritized list of all payables, then took the hatchet to much of his father's former operation. In short order, he unloaded the sawdust and coal inventories, then sold the truck. He also learned the fine art of schmoozing creditors, such as the coal company that threatened him with "trouble" over the $600 he owed. Ed penned letters that were direct and effective: "Dear Sir: If you can give me more trouble than I now have, you're welcome to it. But I can assure you that I'm not going to cheat you on your bill. I will pay it as soon as I can. Just have a little patience." This honest, unflinching approach—along with a $20 check—usually kept the wolves from Ed's door.

To help fund his new venture, he moonlighted in ventures completely unrelated to Kitty Litter. The most lucrative was a freelance job buying and selling heavy machinery for 5 percent to 10 percent of each successful transaction. One deal alone netted him $12,500, an eye-popping profit for an entrepreneur still selling Kitty Litter by the 69-cent bag. Still, he remained faithful to his vision. "I wasn't sure that Kitty Litter was going to make it, by any means," he recalled. "But if it did make it, I would be my own boss in charge of my own operation. That's what appealed to the entrepreneur in me."

For the first couple of years, Follett remembers, "We'd meet together every morning, then he was gone most of the rest of the time selling Kitty Litter or machinery. He put thousands of dollars from machinery sales into the coffers to be able to grow the Kitty Litter business. We set up a little operation in the warehouse with a sewing machine and a bagger, and got someone else to make deliveries so I could stay at the home base and package Kitty Litter."

With some of those funds Ed tried something he never could have under his father's conservative management. He decided to place a mail-order advertisement in Better Homes and Gardens magazine. When Ed paled upon learning the advertisement would cost

Ed Lowe on: Perspective

When people ask you about the nature of your business, do you answer correctly? The answer may seem like a no-brainer, but I'll admit that more than once, I've had to change my perspective about what business I'm really in.

After I hit pay dirt with my Kitty Litter cat-box filler, I figured that I was in the pet business. If I did so well with one cat product, I surmised, just think how I could clean up if I offered a full line. I pumped a bunch of time and money into new product development, and soon Lowe's offered over a dozen different items, from chenille catnip-filled mice to kitty privacy screens that added decorum to the litter box. Some products did OK, though I discovered that neither cats or their owners cared whether the felines purged in private. My real mistake was pursuing this line to begin with. But I was determined to become the Doctor Doolittle of the pet industry. My next Big Idea was the Mr. Friendly Pet Shop, a franchised chain that would offer a wide selection of animals and grooming services in an odor-free facility. We set up a pilot store in Indiana, which we learned would cost about $100,000 for a franchisee to replicate. Since you could buy a McDonald's franchise at that time for not much more, I should have seen the red flags, cut my losses and folded my tent.

Instead, I bullheadedly proceeded with a splashy grand opening featuring a performing baboon named Chico. Chico performed, all right: after savagely biting one of my employees, he scrambled up to the roof until the police coaxed him down. Great publicity.

"I had one of those sweeping changes in perspective: I was not in the pet business; I was in the mineral business."

But it gets worse. I got a "fantastic" deal on 300 parakeets, which I purchased as breeding stock for all the Mr. Friendly Pet Shops I still hoped would materialize. Instead of reproducing, my flock diminished. It turns out that I was sold a load of geriatric goods; every bird dropped dead within six months.

As I gazed at my last perished parakeet, I had one of those sweeping changes in perspective: I was not in the pet business; I was in the mineral business. I didn't know anything about packaging pet toys or parakeet longevity. What I knew was how to mine and process clay pellets, plus I knew one thing that every cat does every day. I had combined those realizations to develop a product that became wildly popular with cat owners, but it didn't mean that I was in the pet business.

With my realigned perspective, I devoted all of my energy and expense toward better production and marketing of Kitty Litter and Tidy Cat and never again became distracted by other ventures outside my mineral business. Well, almost never. It's darn near impossible to keep an entrepreneur from dabbling; that's just our nature. But now when I fool around with other projects, it's with the firm conviction that my main efforts will always be toward the clay that fills litter boxes with gold for me.

more than $1,000, the broker quickly responded by offering to hold billing for 30 days to give the ad a chance to generate sales. Ed raised the postpaid price to twice what Kitty Litter was fetching in pet stores and rolled the dice. To his delight, money poured in "by the bushel-basketful" at a highly profitable margin.

Ed maintained the advertisement for two more years and heard not only from cat owners, but also from pet shops, breeders, feed stores and veterinarians throughout the United States and Canada. While individuals usually bought a bag or two at a time, bona-fide businesses purchased a dozen or more. Once again Ed had changed his perspective quickly, using consumer-magazine advertising to pursue commercial business.

He didn't stop there. Ed believed in "putting the rubber to the road" in the most literal sense. He logged thousands of miles in his 1937 Chevrolet, personally visiting many of these prospects with a large trailer full of Kitty Litter. After selling to one merchant, he pursued others in the area until he had 15 or 20 buyers. Next Ed found a local wholesaler and presented him with a qualified list of current Kitty Litter retailers who would soon need more. The wholesaler simply had to call on them and fill the orders. Though the per-item profit margin dropped, each broker sale multiplied the Kitty Litter bag volume from dozens to hundreds.

Within a year Ed had set up a grassroots independent broker network that became the backbone of Lowe's sales for the rest of the company's existence. By 1952, three years after setting out on his own, Ed curtailed all of his other business pursuits to focus on Kitty Litter. By continually shifting his perspective to seek a better way, he had accomplished a lot.

First, he had transformed an idea that failed in its original incarnation as "Chicken Litter" into a new product destined to change the pet industry. "Some products offer a solution for a problem, but Ed went a step further and created the problem," points out Bill Burge, Lowe's national sales manager in later years.

"Ed brought the cat indoors as a nice, easy pet that you could leave at home all day long—if you used a box with his Kitty Litter. Since society was changing with more and more women working, the timing was excellent. It was also lucky, but you make your luck."

Second, he tapped progressively larger markets, from local cat owners, to area pet-shop merchants, to mail-order customers nationwide, to coast-to-coast commercial accounts, through an informal broker network he created. Sales volume ballooned without a considerable out-of-pocket increase; in fact, cost per sale dropped dramatically with the recruiting of wholesalers to work their regions. Like many first-stage entrepreneurs, Ed invested abundantly using his own sweat equity. He boasted later of being a charter member of the IWMAO (I Work My Ass Off) Club and, of course, encouraged his employees to join.

Ed was now what the Edward Lowe Foundation today considers a "second-stage" entrepreneur: past startup and rapidly growing, but still more of a small business than a large company. Some of Ed's greatest opportunities—and most monumental challenges—were yet to come.

3
Growth: Thoughtfully Reaching The Next Level

Ed Lowe exhibited a talent displayed by most effective thinkers: His mind moved easily from the specific to the general and back again. He observed a single event or activity—or experienced one—and then teased a broader lesson out of it. He noticed this talent in himself and began writing down these larger lessons as "general rules," some of which were lessons especially hard-learned.

The general rule—"A big deal isn't a big deal unless it's a big deal"—came from Ed's failure to review carefully his own father's business accounts. With the substitution of one word—*until* for *unless*—he's often misquoted and misunderstood. "*Until* it's a big deal" is just not the same as "*unless* it's a big deal." Not that *until* is wrong, but *unless* is more telling and carries more insight.

Nearly anyone can see *when* a big deal is a big deal. That happens when the contract is signed, when the first check is cashed. But recognizing *if* a proposed deal will become a big deal can be a lot tougher.

Understanding that yields a glimpse not only of how Ed Lowe's mind worked but also of how he could see past the obvious big deal of running a growing company to the more profound big picture of entrepreneurship as fundamental to the American dream.

Beyond that, a big deal isn't always a good deal for growing companies. Any number of potentially successful companies have collapsed because their growth outran their cash. Reaching the next level of success is a challenge that not all entrepreneurs can meet.

Rapid growth came to Kitty Litter in the 1950s, and it presented Ed Lowe with such a challenge. Ed's problem came not primarily from cash flow, as can happen with fast-growing businesses, but from a shipping bottleneck. It was much like the hurdle a computer or software manufacturer faces when it can't meet the demand for a popular next-generation product. Ed Lowe's company was shipping orders as fast as it could fill them, but it couldn't fill them fast enough.

The reason was that packaging was still done at the warehouse in Cassopolis. Ed's "bagging machine" was a burly chap named Dinny, who unloaded 50-pound bags of clay from boxcars

incoming from Paris, Tennessee, dumped their contents into a bin and then ran an ancient bagging apparatus. Now that Ed knew Kitty Litter was a viable product, he looked to forge stronger links in the supply chain. Through a period of trial and error during the next 10 years, he entered the mining and manufacturing business.

In 1952 Ed began by renting an empty former pottery plant in Paris, just down the tracks from the clay company that shipped to him in Cassopolis. He transferred the bagging machine to the new location and improved the process by installing a crude conveyor that carried the 50-pound bags of fuller's earth to the bin much faster than Dinny's legs. Within weeks he had slashed his rail transportation costs by shipping the clay only a few miles instead of a few hundred.

But, characteristically, he wasn't satisfied. "Ed never stopped asking, 'Why?' about anything," says his wife and Edward Lowe Foundation Chairman and CEO Darlene Lowe, whom Ed married in 1976. "Why are we doing something this particular way? How can it be done better? He never stopped looking for a way to improve every aspect of his business and personal life. I think that's a classic entrepreneurial trait, and nobody had it more than Ed."

With freight costs minimized, Ed challenged a labor-intensive procedure in which the clay was bagged and tied 50 pounds at a time at the supplier, then untied and emptied 50 pounds at a time at Lowe's bagging machine. After pondering the problem for a bit, he arranged to lease two old hopper cars from the railroad and topped them with wooden covers with a hole cut in the middle for easy access. Now he could purchase the clay in bulk at a better rate, plus unload it quicker and easier at his own plant.

Ed might have envisioned thousands of customers purchasing Kitty Litter in the years before it actually happened, but manufacturing challenges like these had never entered his mind until they arose. "The fact that our business was getting bigger had forced us to think bigger," he noted in later years. "We were

actually solving problems we had never heard of before."

This insight into the problem-solving challenges entrepreneurs face would later be the rationale behind the peer-learning programs the Edward Lowe Foundation conducts today. Ed not only recognized that he was continually facing unforeseen obstacles, but also that he had precious few places to turn for help to overcome them. Gradually, he learned that his fellow business owners—his entrepreneurial peers—were often the best and most credible resource.

As a lifelong fan of Notre Dame football in nearby South Bend, Ed liked to say, "You can't win the game without the ball" but also that "you'll bobble the ball if you run too soon." His next big manufacturing move was a case in point.

The next stop in Ed's train of logic was the notion that he could save even more money, not by just packaging someone else's raw material, but by controlling the clay manufacturing process from scratch—vertical integration. As with many of his entrepreneurial steps forward, Ed Lowe's move into the mining business was not a meticulously planned strategy. But, after a few bumps in the road, it turned out to be another powerful leverage point for growing his company.

Driving back to Cassopolis from Tennessee one day in 1958, he happened on a dormant clay plant and small mining tract in the southern Illinois hamlet of Olmsted, once a hotbed of fuller's earth production. If Ed could have written a check on the spot, he probably would have done it. But process, not prudence, forced him to wait until he could arrange a deal that stretched his finances to the limit. He soon purchased the facility for $35,000.

The plant turned out to be a deal, but not a good one. Unfortunately, as when Ed bought out his father, he had not carefully examined what he was getting into. This time Ed's entire knowledge of the Olmsted plant was based on his initial "tourist" visit, which was cursory at best. He soon learned why the plant had been mothballed for more than a year. The clay dryer, a critical

component of the production cycle, was damaged beyond repair. The filtering screens and dust-collection system weren't far behind. In addition, the plant's railroad siding was falling apart, and a 40-foot layer of worthless mining overburden covered what turned out to be a dwindling supply of the coveted fuller's earth.

It took a year of long hours before Ed and his crew corrected these problems, also installing packaging machinery so the company could handle everything from mining the nearby tract to processing the raw material to sending bags of Kitty Litter out the door. And Ed did, in fact, learn at least one lesson from this second costly mistake and took the next step on the road to growth that entrepreneurs often do. Ed hired an expert.

Although consultants would serve Ed both well and ill over the years, geologist Jack Rand was a discovery nearly as valuable as Kitty Litter itself. A straight talker who didn't overstep his area of expertise, Rand analyzed the Olmsted mineral holdings and reluctantly informed Ed that at the plant's planned production rate, the fuller's earth content would probably be mined out in six months. Ed surprised Rand by heaving a sigh of relief—he expected the supply to last only two months. After Rand's analysis, Ed bought 100 acres of ore-rich adjoining land.

With the exception of one more white elephant (a company acquired for its existing book of business), Ed either purchased facilities in good shape or built them to his standards. He then began to develop and apply his renowned rigid standards of high quality and care in manufacturing equipment and processes to people. Frank Moreland, one of the first plant managers at the Paris facility, was surprised early in his tenure by one of Ed's "people" decisions.

"Most of the line workers were making $1.12 an hour, when the minimum wage was about $1.05," Moreland recalls. "Ed said, 'That's not enough, I want them to feel really good about working here. Give them all a 50 percent increase.' " When production

soared, Ed bumped their wages again by a similar amount.

"These guys were making about twice as much as any other laborers in the area," Moreland marvels. "I'll tell you, that made me one popular person." As a final gesture, Ed issued each plant worker five sets of coveralls and had them laundered each week.

Ed made a point to connect personally with his laborers as well. "When he went to a plant, he'd spend most of his time out on the floor cracking jokes with people, maybe even shoveling clay once in awhile," says Bob Follett. "Everybody was always glad to see him, but they also knew that he was definitely the man in charge by his demeanor. If he wanted something done, you did it."

Sometimes employees learned the hard way. "Ed was very exacting with cleanliness," Follett remembers. "He wanted everybody's desk clean at night, not a lot of papers all over the place.

Even when Ed doled out discipline, most of his staff respected and liked him. "Ed truly cared for people," Darlene Lowe notes, "but he also was very shrewd. Everything he did came back home to him." Lowe's plants became well known in the industry as models of efficiency, which helped maintain quality and cost-effectiveness over the years as aggressively competitive "me too" cat-box fillers began to flood the market.

In the early years though, Ed's greatest sales and marketing challenge was not fending off competitors. That would come later. It was broadening the market for the still-novel Kitty Litter beyond pet stores, shows and mail order through magazine ads aimed at cat owners. Eventually he looked to market his increasingly popular pet-care product in supermarkets, a concept that was practically revolutionary at the time. Unlike entire aisles in today's grocery stores dedicated to pet supplies, pet products back then were limited to a few shelf feet of dog and cat foods, if indeed a store carried anything at all.

Ed Lowe on: Growth priorities

I have a cat. Actually, I host several of Michigan's most-pampered felines at our All American Cattery research center for products such as Kitty Litter and Tidy Cat. All they have to do is eat, play, sleep and do what cats are supposed to do in the litter box.

But one cat, affectionately named Ugh, lives at home with my wife, Darlene, and me. When it comes to making demands, Ugh could teach Garfield from the comics a thing or two. When Ugh wants to eat, he eats now. That's because there's no ignoring him; Ugh will make my life miserable until I attend to his bowl first thing every morning.

Feeding Ugh the second I open my eyes does not come naturally. Truth be told, my first choice would be to use the bathroom. Next I'd like to start the coffee and deliver a cup in bed to Darlene, who also likes to be spoiled. I've tried to ignore Ugh, but he'll have none of that. After a few pratfalls from his criss-crossing under my legs while howling for attention, I've learned that I'll get no peace until I feed the cat.

There's a business allegory here. An entrepreneurial venture is a lot like my relentless pet. Its basic needs must be met daily before you can plan for growth or hatch the next big idea.

The "cat" represents your employees, suppliers and financiers. If you don't feed them first with your funds,

"An entrepreneurial venture is a lot like my relentless pet."

they will either wait until you do or simply disappear when you need them the most. It's often hard, especially in the early stages when money is truly worth its weight in gold, to resist the temptation to delay payments to people as long as possible.

But I know I never could have survived through my first year by practicing such tactics.

The first check I wrote each week was to my one employee, Bob Follett. I borrowed money for supplies only in unsecured loans: first in 30,- then in 60- and later 90-day notes. And I paid each debt the day it was due. If I drew no salary, so be it.

I also made sure that I paid my suppliers immediately, instead of stringing them along like some entrepreneurs are wont to do. In fact, once I could afford to, I often negotiated a discount for paying early. If the terms were net 30 days, I might offer to pay within a week for a 5 percent discount. Most suppliers, frustrated by receivables that came late or not at all, thought it well worth cutting me a discount to get their money immediately. I saved thousands of dollars each year, which I funneled back into growing my company.

Sticking to this practice was not always easy, but it eventually helped transform my fledgling feline business into a "golden cat." Feed your cats first, and they'll be there on your doorstep when you need them. Neglect them, and you'll learn that they have a memory as long as their nine lives.

Ed enjoyed nothing more than going belly to belly on the stump for Kitty Litter, so he hit the road again, this time trying to gain audiences with grocery-store buyers. His sales technique, which Bill Burge saw in later years, was hard to ignore.

"He would whip out a little silver case like he was going to give you a business card, but he'd open it up and there would be a cat turd," Burge chuckles. "A lot of buyers loved this, but Ed usually knew when he needed to restrain himself. He knew what it took."

Ed began to penetrate grocery wholesalers just as he was getting his Olmsted plant running, and his future seemed as limitless as a cat's need to use his product. But as Kitty Litter began to sell in supermarkets as briskly as it had in pet stores, Ed learned that all retailers are not equal and that economics theory sometimes, at least, has a basis in economic reality. Supermarkets bought, sold and paid on volume, which resulted in a smaller markup on individual units. The same Kitty Litter that Ed sold at a single price point to wholesalers ended up selling at widely different price points at retailers—49 cents a bag at some grocery stores, for example, and 70 cents at some pet shops. Grocery store distribution turned out to be one of those good-big-deal, bad-big-deal conundrums. Enraged pet-store owners could not compete with grocers and threatened to quit selling Kitty Litter.

Instead of a golden cat, Ed now had a tiger by the tail. He pondered how to keep Kitty Litter from competing with itself, and then it dawned on him what had to be done. Ed came up with a new name, Tidy Cat, for his supermarket product and packaged it in the bright yellow bag that still leads the market today. The Kitty Litter brand, on the other hand, became a "boutique" cat-box filler exclusive to the pet and veterinarian trade, while Tidy Cat soon sold far greater volume in supermarkets. A novel approach at the time, differentiating a popular base product with imaginative branding is a now an accepted marketing practice.

All this led to success that even Ed never envisioned. In 1962 Lowe's topped $1 million in sales in an era when, as they say, a million was

still worth a million. This stunning growth of the "dirt in a bag" product was, as they also say, only the beginning. Within 25 years Ed commanded a $100 million company, with the same entrepreneurial instinct that had marked his initial growth.

(It's an interesting wrinkle for the work the Edward Lowe Foundation does today that, though surpassing the technical attributes of a second-stage company—10 to 100 employees and $1 million to $50 million in gross annual sales—the Kitty Litter business probably never progressed past the second stage in one important way: Some might say that Ed didn't fully complete the transition from an entrepreneurial management style and thought process to what would now be called a high-level CEO philosophy. And, as we will see later, it's possible that limited the growth of Edward Lowe Industries, the parent corporation of the Kitty Litter enterprise, and prevented Ed from achieving his dream of making Lowe's "a billion-dollar company.")

But while Ed may have acted upon his gut feelings, Darlene Lowe insists that he didn't do so immediately. "One of the biggest misconceptions about Ed is that he just jumped in as soon as the light bulb went off," she observes. "When the light bulb went off, he'd mull it over, maybe put it in the back of his mind until it resurfaced and he knew that it was right. Then he'd jump in very enthusiastically, which is what people saw. But he always thought about something first; he was thinking virtually every waking moment."

Ed himself categorized the successful entrepreneur as "more of a thinkaholic than a workaholic." By constantly thinking and consistently working, he guided his new company through a critical growth period and positioned it to skyrocket into the future. But first, as he was already beginning to learn, he would need the help of others who had knowledge and skills he lacked. This realization led to another of Ed's general rules "Know what you don't know"—and eventually to his recognition that his fellow business owners were a valuable and untapped resource.

John Johnson: Thinking It Through

AP/Wide World Photos

Within six months, success was killing John Johnson. His Ebony magazine, newly launched in 1945, was selling 400,000 copies a month. A magazine that focused on the culture and achievements of black people proved to be a huge success.

The problem was, the more magazines Johnson sold, the more money he lost. Production and printing costs dwarfed income from newsstand sales and subscriptions. Johnson learned that magazines survive on advertising revenue, and he needed some in a hurry. The problem was, in those pre-civil-rights days, an all-white advertising world was reluctant to listen to an African-American. To them, the black consumer market was uncharted territory and riskier than advertising in traditional places such as Life magazine.

Johnson responded by developing Beauty Star Cosmetics, his own mail-order business that advertised in Ebony. Beauty Star, which sold everything from pomade to wigs, filled space the white advertisers wouldn't take, while simultaneously generating orders that helped pay the bills. Such creative thinking temporarily staved off creditors, but Johnson knew he needed blue-chip advertisers from white-run companies to assure Ebony's permanent success.

"The more Ebony magazines Johnson sold, the more money he lost."

He targeted Zenith, then one of the world's largest electronics companies. Almost all blacks owned radios, he pointed out, and most of those radios were Zeniths. Still, Johnson was stonewalled by Zenith's advertising manager. He took his case to the top and won an interview with a former naval commander named Eugene McDonald, who ran the company. McDonald agreed to talk to him about black issues, but not about placing an ad.

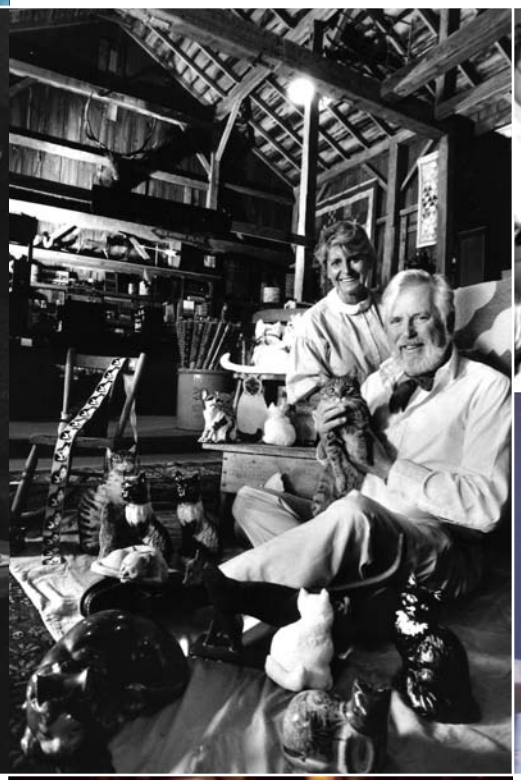
Johnson learned that McDonald had, among other things, been an Arctic explorer. The young publisher knew that a black explorer named Matthew Henson, not the commonly credited Robert Peary, had first walked on the North Pole. Johnson obtained a signed autobiography from Henson, added an article Ebony had run on the explorer, and visited McDonald at Zenith headquarters. When he saw a pair of Henson's own snowshoes on the "commander's" office wall, Johnson knew he had guessed correctly.

A conversation with McDonald quickly bridged from Henson's feat to Ebony's celebration of black excellence, and the commander himself raised the advertising issue. He buzzed in Zenith's reluctant ad director and ordered him to advertise regularly in Ebony. Other huge companies followed, and the magazine has been an institution ever since.

Thinking creatively—and tenaciously—Johnson did whatever it took to see his ideas through. Ironically, the cosmetics business set up to keep Ebony afloat eventually became a huge profit center of its own, helping Johnson to become regarded as one of the most successful black businessmen in history.

Determined, Curious and Innovative From the Beginning

Born in St. Paul, Minnesota, Ed and his family moved to Marcellus, Michigan, before he was five. He revealed a determined side even as child. With his mother Lulu's encouragement, Ed soon became a curious reader and budding communicator. He served in the U.S. Navy during World War II, and his mechanical bent kept him stateside, where he launched an early entrepreneurial venture. Ed's father Henry owned and operated several businesses, including a tavern. After the war, Ed worked with his father, but eventually struck out on his own.



Ed and Darlene: A Match in Business and in Life

Darlene Lowe, also an entrepreneur, played an active role in Ed's entrepreneurial ventures, often as a sounding board for her husband's myriad ideas. One feline that often accompanied Ed and Darlene was their cat Ugh. A People magazine story featured them at Darlene's charming Haymarket Antiques & Designs studio and just being together in different locations. Photos by Yaro Tamasaki. The magazine toured the "All-American Cattery" with Ed and technicians who tested and observed feline behavior.

A Continuing Journey of Creativity and Service

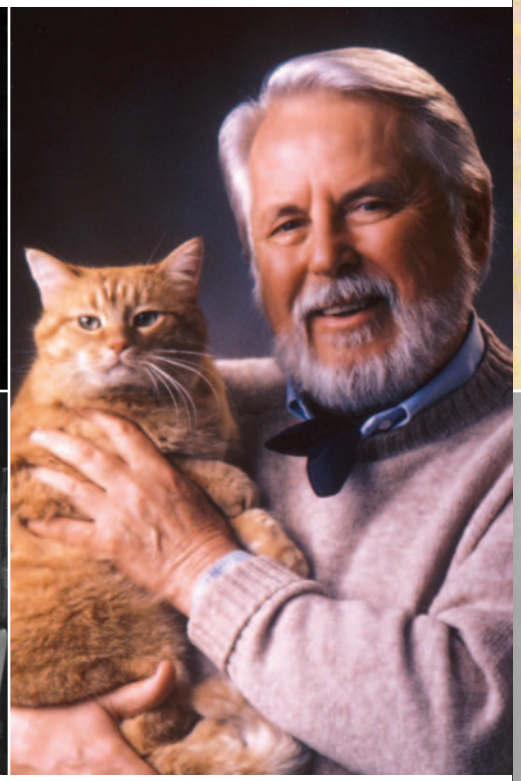
A longtime fan of trains, Ed used them in creative ways, not only for travel but also for business. He served Cassopolis as mayor, enlivening events from children's Christmas celebrations to official presentation ceremonies. He and Darlene also contributed to numerous worthy causes. This gave them the opportunity to meet and interact with high-profile individuals, such as singer Kenny Rogers, to whom Ed bore an uncanny resemblance. Ed pursued his advocacy for small business at the highest levels, even the Oval Office.

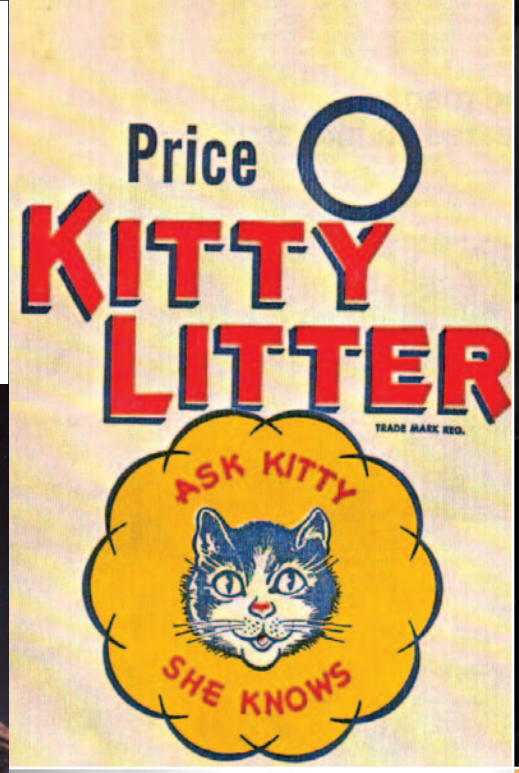
A Focus on Advocating for Entrepreneurs and Entrepreneurship

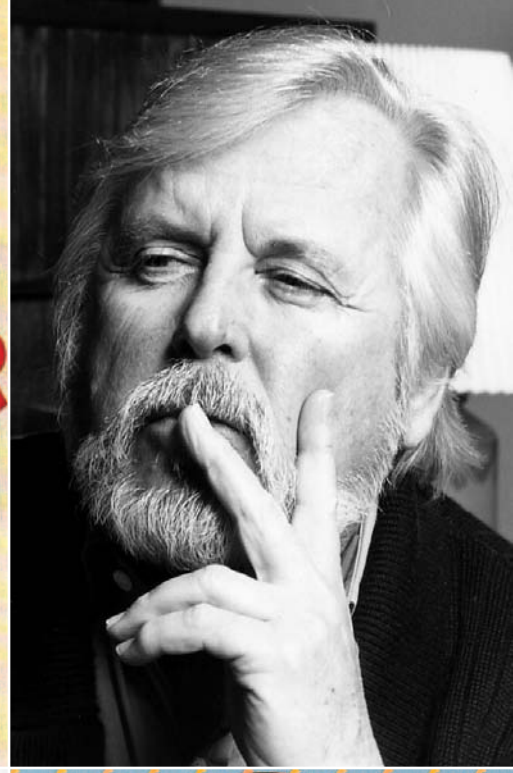
Ed and Darlene carried their advocacy for entrepreneurship to politicians such as President Jimmy Carter (with First Lady Roslyn), Bob Dole and George Bush Sr,. as well as at least one entertainer who later became a politician, Arnold Schwarzenneger.

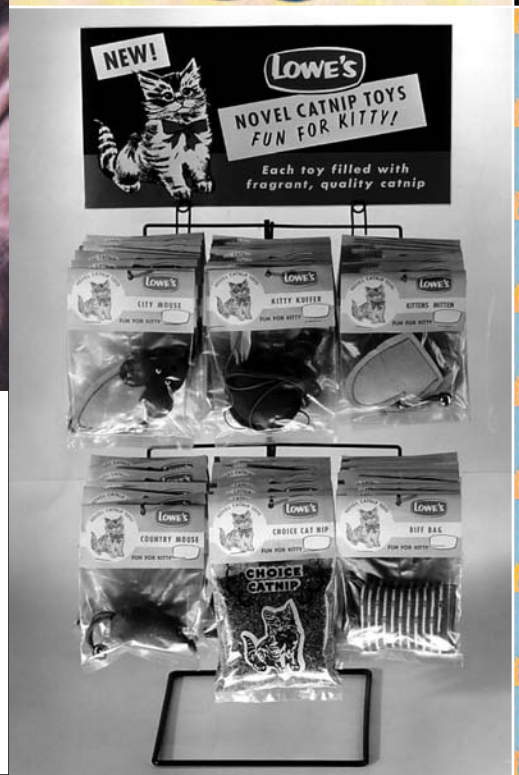
A Name, a Slogan and Relentless Marketing

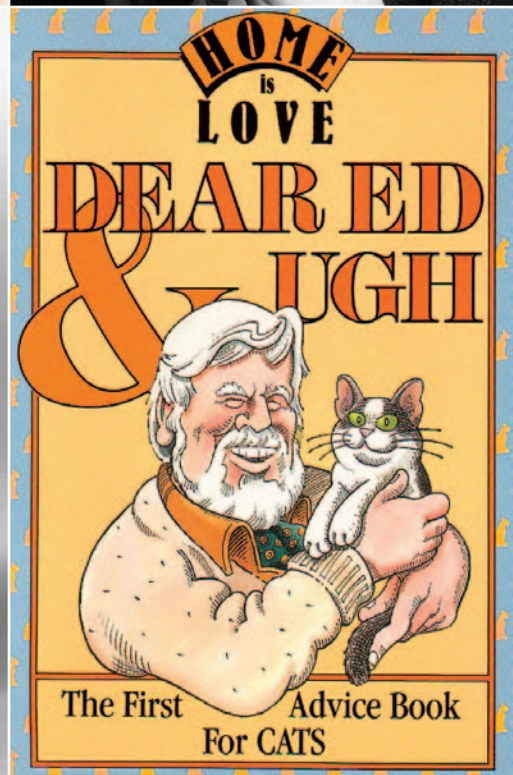
Ed coined the name Kitty Litter and one of the best-known slogans in advertising—"Ask Kitty, She Knows"—early in the life of his innovative product. Marketing and promotional efforts, plus a rigid adherence to quality, made the product a household name and pulled cats past dogs as a favorite pet. Continually looking for new and productive ideas, Ed pursued invention, opportunity and imagination throughout his entrepreneurial journey.

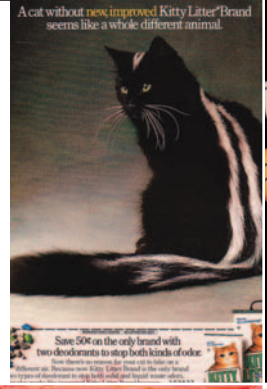


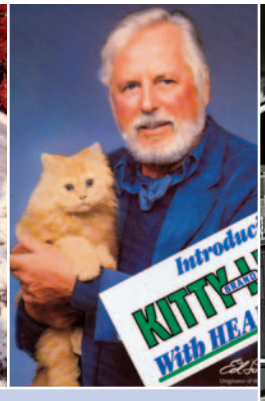












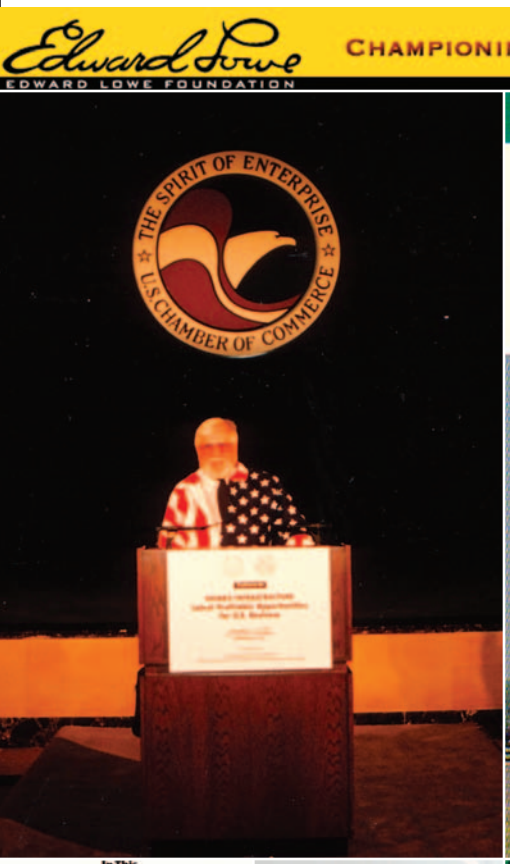
Growth From "Firsts" and Endless Entrepreneurial Ventures

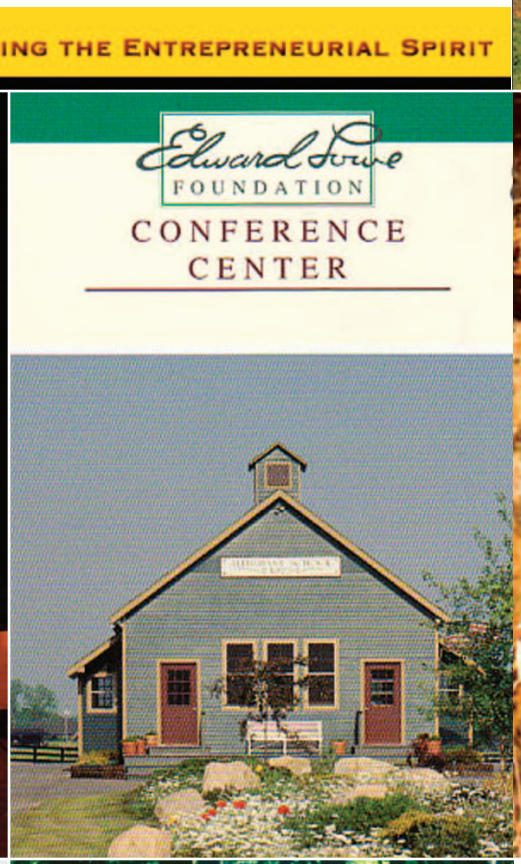
Ed participated in a number of marketing "firsts," including appearing personally in television commercials for his products. He also created the Tidy Cat brand for supermarkets, retaining Kitty Litter for pet shops. Ed created other ambitious and innovative ventures. Several, such as selling small bundles of firewood and the franchised Mr. Friendly Pet Stores, were clearly ahead of their time. Jones, Michigan, was designed to mimic small-town America in a theme-park environment.

GRANTECH
GRANULATION TECHNOLOGY, INC.™
AN EDWARD LOWE COMPANY

Living Large at Every Level

Always a showman, Ed left a hospital bed in 1990 to sign the agreement to sell the litter business with an oversized pencil. At his side were Darlene and longtime business adviser John Pairitz. A key to Ed's success was his innate ability to connect with employees at any level by treating them as peers. Geologist Jack Rand, hatless with Ed at a clay-processing plant, found the clay deposits Ed needed to produce his premier product.





Edward Lowe Foundation Ensures Legacy of 'Entrepreneurial Spirit'

Ed regarded the creation of the Edward Lowe Foundation in 1985 as one of his greatest accomplishments. Through a combination of promotion and quiet contemplation at their beloved Big Rock Valley, Ed and Darlene supported entrepreneurship together through the foundation's focus on education, information and research initiatives. Today, Darlene and the foundation continue that work with contemporary programs that embody the same entrepreneurial spirit.

4
Peer Learning: Leveraging The Insights Of Others

Mentoring has a long and honorable tradition as a way for those made wiser by life to share their experiences with others to help them solve problems, make sense of their own experiences and see challenges from different perspectives.

Ed's first mentor appeared in his early childhood. His Grandpa Huber, a rocking-chair pundit who wore suspenders and used Sloan's Liniment, dished out homespun homilies such as, "Don't get too big for your britches," and "Never invest in anything that eats or needs paint." Grandpa Huber, with his everyman image and unvarnished philosophy, became something of a prototype for many of the people Ed valued most.

"Ed was not impressed at all by anybody's academic credentials," notes Paul Bowles, president of Lowe's from 1984–1988. "He did believe in hard work, and he admired people who would stay and work long hours. Ed loved someone like a foreman on the line, because here's a guy he knew had been lifting bags for a long time and worked his way up and now was helping direct these other guys."

Conversely, Ed also knew when to reach beyond kindred spirits for expert help when he needed it. As it is for many entrepreneurs, the world of finance was foreign to him. Ed used to espouse his "pickle barrel" theory of accounting, which went something like this: All the money earned during the month goes into one barrel, and all the bills go into another. You take whatever is needed from the receivables barrel to cover the payables barrel. If there's anything left, it's profit.

Realistically, Ed knew that finance was more complicated, and true to his high school aversion to numbers, he was loath to take on even the most basic bookkeeping tasks. One of his first hires after Bob Follett was an abrupt but efficient bookkeeper and office manager known universally as Mrs. Egmer (no one, apparently, dared use her first name). Within a few years Ed looked outside to Clete Chizek, the founding partner in a young, up-and-coming South Bend accounting firm. Ed maintained his relationship with Chizek and,

later, with firm partner John Pairitz, for nearly 40 years, while Lowe's multiplied its sales volume almost three hundredfold.

"Legend has it that Clete Chizek could communicate directly with Ed in a way that got Ed's attention," reports Don Bauters, Lowe's controller after the sale of the Kitty Litter business. "He explained the accounting details that were not of real interest to Ed, but important to the financial discipline vital to the success of any growing company. Ed trusted Clete to keep him on the straight and narrow."

Chizek returned the trust by bailing Ed out of more than one misadventure, beginning with the Olmsted plant, which turned out to be what Ed lamented as "a dog with fleas the size of crickets." As the years went on, Ed became more habitual about consulting Chizek, and later Pairitz, on financial issues before rather than after the fact. Toward the end he became well aware that "numbers count if you know how to count them," as he put it. By the time Ed sold the litter business in 1990, Pairitz, who had recently signed on as an employee, had become Ed's closest adviser.

Another consultant Ed trusted mightily over the years was his geologist, Jack Rand. In typical Lowe fashion, Ed hired Rand in 1959 on a hunch that a resident of the rocky coast of Maine would somehow know how to locate clay deposits to feed the Olmsted plant in Southern Illinois. "My reasoning here was complex and indirect," Ed joked.

But Rand was Ed's type of person: straight shooting, smart in his field and, by the very nature of his work, a guy who didn't mind getting his hands dirty. Rand spent five days driving his Volkswagen Beetle to Olmsted, assessed the surrounding area for a few days, laid out a suggested mine and drove home. "I got lucky on the first call," he recalls, "and then Ed just kept me around after that."

Ed was hardly a high roller when Rand entered his life. The two shared a $6-a-night hotel room near Olmsted to cut costs. When Rand submitted his $300 bill, he was asked if he could be

reimbursed in three monthly payments. Still, the roving geologist and the maverick entrepreneur forged a professional and personal bond that endured as long as the company.

Rand feels that one reason he clicked so well with Ed was his complete detachment from the company's financial affairs. "I made a point of not knowing the economics of Ed's business," he stresses. "My job was to find mineral deposits for him and lay out mining plans. I didn't even get into the cost of extracting the clay; I left that up to him."

Since Rand was a scientist accustomed to supplying reams of data to satisfy his clients, he found Ed's directness refreshing. "In my line of work you typically have to give long reports that cover all the bases," he explains. "I learned early on that Ed didn't want a 15-page report, he just wanted me to tell him whether a deposit was good or not. It was fun for me because I could speak my mind. I didn't have to adjust what I said for him. He'd take it as I gave it."

As an impartial observer and kindred spirit, Rand became a sounding board for other aspects of Ed's life as well. Their road trips became sort of a mobile prelude to the pondering sessions Ed pursued on his property in later years. "Ed was constantly thinking and observing while I drove," Rand recalls. "He didn't miss a thing. I was scanning what was under us, the geology, for clay deposits, and he would scan the countryside. He'd see things like a horse with its leg caught in a barbed-wire fence or an old antique of some kind in a farmyard. We were always stopping the car for something."

As time went on, however, Ed's luck in picking consultants ran almost inversely to his corporate success. Darlene Lowe observes that "Ed was the world's best salesman, but the world's best salesman is also the most easily sold." As he became a wealthier and more well-known business owner, he was courted by many would-be advisers and entrepreneurs. They knew what Ed liked to hear and regaled him with ersatz product ideas and radical business plans that appealed to his entrepreneurial nature.

Ed's ability to listen to and leverage insights of his own employees was also mixed, according to some who formerly reported to him. Not surprisingly, he loved talking to workers on the manufacturing line. "Ed always had this incredible rapport with plant people," says Wally Pollock, former Lowe's human resources vice president. "He was approachable almost to a fault sometimes." As time went on, Ed's tendency to bypass plant managers to talk with the rank and file directly often was a sore spot with their bosses. The issue was resolved only when Ed finally became too busy to make plant visits as frequently.

Pollock, who was brought on board in 1977 as human resources manager, reported that since Ed wanted employees to be happy, he gave wide latitude to develop initiatives such as employee physical and psychological wellness programs long before they became popular in American industry.

"In a lot of companies, human resources are directly tied to the bottom line," Pollock points out. "But I never had to come to Ed with a proposal and try to demonstrate what the exact dollar payback would be. As long as I was able to show that the program provided some type of benefit to the employees and the organization, that was fine."

Some other managers were less fortunate, especially if they handled areas closest to Ed's interest or expertise. Nowhere was this more obvious than in marketing, where Ed rightly took credit for transforming common clay into a product that not only made him wealthy but also changed millions of American households in a big way. Next he came up with the "divide and conquer" plan for marketing Kitty Litter and Tidy Cat in different venues. It multiplied his success and helped institutionalize the pet aisle in supermarkets. A tough marketing act to follow, it illustrated an all-too-common challenge faced by successful entrepreneurs with growing companies: how to ease up on operational control while ensuring their visions continue to provide direction.

The daunting role in such a transition with Ed Lowe fell to Dave Tooker, a talented professional who had marketed the likes of Reynolds Wrap foil before being hired in 1977 to take charge of Lowe's marketing function. One of Tooker's early challenges was to launch Lowe's first new product since Kitty Litter began filling cat boxes. The company had purchased two-year rights from Monsanto for a breakthrough odor-control technology that, in cat litter, activated during the scratching felines perform in the litter box.

Using a professional advertising agency from Detroit, Tooker came up with an elaborate plan from packaging to national television advertising to support a new odor-control product with a new name. Ed, as Tooker recalls, was distracted at the time by tangential projects unrelated to cat litter and gave his lukewarm approval during the new product's planning stages. Then, during the final sign-off meeting for the marketing campaign, Ed took the leading representative from the ad agency outside the room. The two returned and surprised everyone by announcing that the product's name would be changed to New Improved Kitty Litter. Tooker was stunned.

"That was probably the worst name you could have given it," he contends. "Kitty Litter was a generic product name by then, like Kleenex. People go to the store to get some 'New Kitty Litter' and they're likely to pick up any cat litter on the shelf. We had a unique and added-value new product, and it was lumped in with the commodity brands we tried to break away from."

While Tooker empathized with Ed's personal loyalty to the name that had been synonymous with "money" for more than 25 years, in this case he believed the successful entrepreneur made the wrong call and missed a major opportunity. Consumers didn't understand the "unique selling proposition" of the new product, and at twice the price of standard cat-box filler, they were reluctant to buy New Improved Kitty Litter. When Lowe's exclusive contract with Monsanto ran out, consumer-product veteran Clorox quickly hit the shelves with a similar product called Fresh Step. The catchier,

Edwin Land: The Idea Is the Thing

AP/Wide World Photos

Edwin Land looked at the world differently than most people do.

As a youth in the 1920s, he pored over the history of optics in the reading room of the New York Public Library. Land entered Harvard, only to drop out after a few months to pursue his invention of plastic sheet polarizers to reduce headlight glare. After 10 challenging years, including a second revolving-door trip through the Ivy League, he set up the new Polaroid Corporation in 1937.

Edwin Land constantly asked the question, "What if?" instead of settling for, "Yeah, but…" In doing so he built an immensely successful company and was second only to Thomas Edison in the number of U.S. patents for new inventions—a remarkable achievement in itself.

"…a conviction that anything is possible— and willingness to learn from others, even a child …"

Part of Land's success as an innovator came from his childlike curiosity, a talent for looking at an idea for what it was, rather than for where it came from. This perspective allowed him to experience nearly anyone as a peer in the realm of ideas—and to take inspiration where he found it.

In fact, the genesis for his most famous contribution came from a simple question posed by just such an unusual collaborator.

During a vacation in 1943, just a few years before Ed Lowe came up with his lifestyle-changing product, Land photographed his young daughter, Jennifer. She wondered why she couldn't see the finished photo right away. Instead of just smiling, taking a deep breath, and explaining the standard film developing process, Land immediately thought, *"Why not?"* He took a walk to ponder the problem, and in about an hour, worked out the basics for what became instant photography.

Beginning in 1948, the Polaroid camera provided the most quickly produced photographic images possible, until the advent of digital photography almost 40 years later. While young Jennifer provided the inspiration, Land's conviction that anything is possible—and his willingness to learn from others, even a child—made it happen.

more descriptive product name combined with strong advertising support, Tooker contends, pushed it past the Lowe's brand. Fresh Step remained on supermarket shelves, while the name Kitty Litter, which had started it all, was eventually abandoned as a brand.

By the mid-to-late 1970s, it seemed time to put together an experienced team of professional managers and executives to take on the increasing challenges of growth and competition. Ed respected professionalism and tried to follow his own advice of "know what you don't know." But the very qualities that make managers effective rubbed against his entrepreneurial spirit. Where Ed's decision-making process could be fluid, the professionals often used deliberate processes that took more time than Ed might have liked. Nonetheless, Ed's entrepreneurial approach coupled with professional management, enabled Lowe's sales to increase from $20 million in 1977 to about $60 million in 1982.

Conflict continued amid success, however, and Ed sometimes referred to the professionals as "bureaucrats." Eventually, he divided them half-jokingly into two camps: "shirts," those few he believed shared his vision, and "skins," among whom he included almost everyone else.

The discordant philosophies eventually wore on the company, and like any successful entrepreneur living through a period of significant change, Ed persevered to keep his company moving forward.

Along the way, he found someone who became an ideal sounding board for both business and personal issues, and in 1976 he married her. Darlene Lowe was herself a successful entrepreneur who owned an interior design and antiques business. She met Ed while redecorating some buildings he had acquired, and the business relationship eventually led to marriage.

Darlene, who originally joined Lowe's staff as a design coordinator, became directly involved with Kitty Litter at Ed's

request. "He wanted me at meetings, not so much for my input as for my presence at first," she recalls. "And through my presence, he started getting my input. So I learned through osmosis just by being there. It wasn't long before heads starting turning to me when important issues were discussed."

Darlene became sort of a corporate secretary of state, working with both "shirts" and "skins" to facilitate Ed's goals as chief executive. She was effective at interpreting and prioritizing Ed's occasionally wandering objectives to company managers and served as a conduit to present their opinions to the top "shirt" in a nonthreatening way. In so doing, she became a sympathetic ear for many, if not most, of the important parties in the company.

One resource sorely lacking during Ed's corporate growing years was the opportunity to learn from his peers in other entrepreneurial businesses. After a couple of decades of solving many difficult CEO-level challenges on his own, Ed was determined to find a better way.

"There wasn't a trade association for almost everything like there is now," Darlene Lowe notes. "Ed figured, 'Hey, we may be competitors, but if we get together once in a while and share notes, we may learn some things that will benefit everyone.' " He helped found the Sorptive Minerals Institute for the clay products industry and reached out as well as he could to learn from business peers.

Yet his instincts told him that there must be more effective ways for entrepreneurs to share information, and his experiences showed him they were necessary. His ponderings on the subject would later come to fruition in the Edward Lowe Foundation.

"Many were the times I wished for a mentor," Ed later noted. "A mentor to help me through those scary and challenging times. Someone who'd been there. Someone whose experience I could tap, to reassure me that I wasn't alone in my obsession."

Ed Lowe on: Peer learning

I'm not a college graduate, but I feel like I hold an advanced degree in the school of life. Insight can reveal itself in the strangest of places, and I've learned as much from everyday people as from gazillion dollar-a-day consultants. One of my most important early lessons came from a junkyard owner named Abe.

After Kitty Litter's initial sales surge, I bought a mineral deposit in Illinois and set up our first large manufacturing operation. After mining the tract for everything it was worth, I decided much too late in the game to get an expert opinion on how long it could continue serving our needs. I had to quickly acquire some new land—without looking like a desperate buyer willing to pay any price.

So I approached Abe, who owned 100 clay-rich acres next to mine. Abe was not a miner, but a scrap-metal dealer. I figured he might be willing to let it go cheap, since the land was worthless for much else than making Kitty Litter. Like a sly business fox, I offered him half of what I figured the land was worth.

"My sister in New Jersey owns the land with me," Abe replied. "I'll have to ask her." Time passed and I heard nothing. I broached the subject casually every now and then, attempting to disguise my dire need for his property, but his response was always the same: "I'll have to ask my sister." Months passed, and I upped the ante to the full value of the acreage. Still, "I'll have to ask my sister."

"Abe taught me a lesson in dealmaking that Donald Trump couldn't have improved upon."

Finally, with about a week's supply of clay left on my property, I marched into Abe's dingy office, loaded for bear. "Abe, no more B.S.," I warned. "Do you want to sell that property, or don't you?"

"Yes, but I'm having trouble with my sister," he sighed. "She doesn't want to sell it." I offered him twice, and eventually three times the going price for his land. He then nodded and said, "OK, my sister will sell it."

You and I know that Abe's sister didn't exist. Abe was quite a fox himself and knew that by biding his time, he could determine how badly I needed his land. His gamble paid off handsomely, and though he burned a big hole in my wallet, Abe taught me a lesson in dealmaking that Donald Trump couldn't have improved upon.

5
Risk: Taking Chances, Making Mistakes, Creating Opportunities

A long-circulating myth about entrepreneurs is that big risk is a big part of playing the game. Sometimes it is, but at least as often, it's not. That's because successful entrepreneurs are adept at reducing their risk as much as possible. They're also adept at knowing—even sensing—when the risk has become reasonable and that the time has come to move forward.

In a business world crowded with "Yeah but" people, Ed Lowe was a "What if" guy. He definitely saw the glass of business opportunity as half full, not half empty. And from the day he quit his father's business to run with Kitty Litter, he wasn't afraid to take chances. Sometimes he reduced the risk of a new idea as much as possible—or at least believed he did—and sometimes he didn't. But in general Ed seemed to get ahead by forging ahead, even though that tactic cost him dearly from time to time.

But, even by entrepreneurial standards, Ed was seen as a big risk taker. Virtually everyone associated with Ed had to bite their tongues occasionally at some of his proposals. But they knew well the hurdles he had overcome to build his flagship product, so they nearly always had reason to be hopeful.

"I used to go over Ed's books with him, and whenever one of his ideas didn't work, I'd point out that we could consider it a loss," recalls John Pairitz, a CPA. "He'd say, 'That wasn't a loss, that was an investment.' This blew my mind as a young accountant, but he was looking at it from a different paradigm. He considered a failed idea to be an education that he learned something from, so it was an investment to him in that sense."

Some of Ed's initiatives of the 1970s and '80s, such as franchised pet stores, rental hauling trailers and precut firewood, were ahead of their time. Others, such as his "theme town" of Jones (see page 88), were hampered by external factors. But even though he never had another business venture that succeeded at the level of Kitty Litter, it could be argued that Ed often returned

from his business diversions with a new commitment to his core cat-box filler. In that sense, they recharged his creative batteries.

Ed was the first to acknowledge and even laugh about his failed ventures, as he did about some spin-off pet businesses he launched. And though Ed couldn't make a go of the Mr. Friendly Pet Shop prototype, here again he was actually ahead of his time. Twenty years later, pet-store franchising became a multimillion-dollar industry. At that time, though, none of Ed's brief trips down animal avenues, ranging from birdseed bells to cat food, fared very well.

Many of Ed's forays into nonpet businesses also had, to him, a footing in reality. He launched Frenchy Bucksaw Firewood in 1971, when fireplaces and woodstoves were making a comeback in homes. Coincidentally, he by then had purchased several hundred wooded acres in Michigan. But like the franchised pet store, consumers weren't ready for the concept of split, packaged firewood. The product was never marketed well and died.

He later pressed his property into service as a pasture for Black Horse Stables in an effort to produce pure black quarter horses. The fact that the horses' genetics made it extremely difficult to do didn't deter Ed at first, but after nearly 10 years he eventually accepted that he couldn't change nature in the way he wanted.

The demise of old-time Jones provided Ed with another brainstorm. As he watched his furnishings sold on the auction block, it struck him as a great way to make a lot of money in a short time. The process appealed to the showman in Ed, and he came up with a plan to set up a nationwide Executive Auction Service to sell a broad range of items, which eventually proved unsuccessful, imaginative as it was.

By then Ed's executive staff had become accustomed to his side projects. But Bill Burge acknowledged a key issue: "We're working our butts off in sales making all this money for the company," and the sales force and brokers naturally saw such

ventures as unnecessary—and often unprofitable—distractions from the main business of selling cat-box filler. Paul Bowles played the devil's advocate at times. "I tried my best to tell Ed if I thought it was a bad idea," said Bowles, "but in the final analysis, it was his company and his money."

Dave Tooker felt that some of Ed's ideas might have worked had they not come in such rapid succession: "He had one idea after another, and what he wanted his whole life was for somebody to come along and make them successful. I used to call it the magic-wand theory."

Darlene feels that one of her husband's biggest stumbling blocks came from the way Ed entered a new business. He was, in fact, a serial entrepreneur. "He might have succeeded in some of these businesses if he had bought an existing small company, like a pet-food manufacturer or auction house, and expanded it into what he wanted," she notes. "But Ed always started from scratch because he loved creating things himself; that was the fun part for him."

Once when Ed was informed that only 10 percent of business ideas ever achieve success, he responded, "Then if we start 10 new businesses, we'll succeed." After losing more than $1 million on the failed theme village of Jones, Ed agreed, in what became known inside the company as the "minutes of understanding," to spend no more than 20 percent of Lowe's pretax earnings on ventures outside the core cat-box filler business. As sales skyrocketed during the 1980s, Ed had enough money earmarked to pursue new business ideas without seriously threatening the corporate till.

Ed's unprofitable new business investments tended to overshadow other risks that paid off handsomely. Investing heavily in manufacturing plants and paying above-average wages helped Lowe's maintain its position as the high-quality, low-cost producer in an increasingly competitive market. One of these efficiencies led to one of the most successful incarnations of the original Kitty Litter.

Akio Morita: 'What If?' Just Sounds Right

AP/Wide World Photos

Nobody laughed openly at Akio Morita's stubborn conviction; this was Japan after all, and Morita was their chairman. Still, engineering and marketing executives at Sony had to stifle their amazement at Morita's insistence on producing a small tape machine that did nothing but play cassettes. Under Morita's guidance, Sony had become the most prestigious name in consumer electronics, thanks to innovations such as the Trinitron color television and the world's first videocassette recorder. It seemed as if the company's popular tape recorders could do everything except beam musicians into living rooms. Sony had spent 20 years building a reputation for sophisticated products, and Morita's idea seemed to be a decidedly low-tech toy by comparison.

"Executives at Sony had to stifle their amazement."

Morita listened to all the, "Yeah buts", but more so to his own, "What if?" Early on, the Sony chairman decided to study the American consumer market, the world's largest, through total immersion. He moved his entire family to New York to live for almost two years in the 1960s while Sony established a division there. He observed how American kids, not to mention his own, could never stray far from their music. They cranked up the car radio immediately and held transistor models—often Sonys—to their ears as they walked down the street. What if Sony marketed a product for young people designed specifically for mobile music and the newly popular cassette tapes?

Sony management remained unconvinced, so Morita broke from the Japanese business tradition of making major decisions by consensus. He ordered that the mobile tape player be developed and took personal responsibility for its fate. Sony produced a wallet-sized machine with mini-headphones and a price to match and launched the new product as the Walkman. A runaway success among consumers of all ages, the Sony Walkman was eventually produced in over 70 versions including, ironically, one that recorded tapes just as the Sony naysayers had wished.

"Ed could never stand the idea of dust," says Darlene Lowe. "Everyone else always just considered it a part of the manufacturing process, but Ed asked, 'Why can't we eliminate it?' "

After significantly reducing the amount of dust in his plants, he set his research and development staff to developing a dust-free product, and in 1986 Lowe's introduced 99% Dust-Free Tidy Cat and Kitty Litter.

"I developed a system to measure the amount of dust," reports Ralph Gilges, former vice president of manufacturing for Lowe's, "and the 99 percent was something the marketing people came up with. There was significantly less dust for sure, and it worked; the product was a huge success."

Another marketing gamble that paid off was the then-unheard-of tactic of advertising cat-box filler on television. "The competitors in this business had always been sales driven, not market driven; things like buy one, get one free," Tooker explains. "They were basically industrial clay producers, and they regarded advertising" with a jaundiced eye.

Lowe's broke the mold in 1977 by introducing a cartoon cat named Charlie Chuckles in a successful commercial touting the virtues of New Improved Kitty Litter. Then nine years later, the king of the cat box put his own face on the screen with a monologue that began, "Hi, I'm Ed Lowe, and I love your cat." That personalized approach is given much of the credit for a significant surge in sales.

Despite early blunders, the gambles Ed took that paid off most reliably were in the less visible mining and manufacturing side of the business. Buying productive sites for fuller's earth was as fraught with risk as an energy company drilling for oil. But with Jack Rand's able assistance, Ed usually acquired productive tracts, sometimes for pennies on the dollar. And by investing in plant upgrades at a time when some entrepreneurs might have pocketed the early fruits of their labors, Ed was able

to stave off competition and survive even when a "hardball" consumer marketer such as Clorox entered the fray.

Ed seemed to have an innate sense of desirable land of all types and invested profitably in real estate for its own sake in Florida and elsewhere. For example, he bought a played-out mine in Tennessee and turned it into a productive development. And he began a different type of land purchase that may have seemed extravagant at the time, but ultimately led to his greatest legacy as an entrepreneur.

In 1964 he bought 158 acres outside of Cassopolis on his favorite springtime mushroom-hunting site. He named it Big Rock Valley (there were and still are a lot of big rocks there, which Ed enjoyed bulldozing around the property) and added parcels over time until he owned 3,000 acres 30 years later. His standing joke was "I don't want to own all the land in the county, just the pieces next to mine."

During that time the land was pressed into various uses: timber for firewood, pasture for his black horses, company facilities and his personal home. He also used it for company gatherings to motivate and educate his managers and other employees. Personally, it was a place for him to ponder business moves and new ideas. To stimulate his creativity, in a way that today might be called "cognitive dissonance," he set up pondering spots at Big Rock Valley as simple as a picnic table and a pile of firewood or as elaborate as a refurbished railroad caboose outfitted with food, a stove and a bed. Changing environments and activities has been shown to stimulate creativity in individuals and groups. In fact, the foundation's retreats today make use of the property in similar ways.

During the next several years, Ed would need those pondering spots more than ever, as he considered some of the biggest risks he would ever face. And to deal with some of those challenges, he would find himself in the unfamiliar role of the "Yeah but" guy, instead of the "What if?" guy.

Ed Lowe on: Risk

"Never invest in anything that needs paint or eats." This rule came from my Grandpa Huber. Actually, it was part of a trio of warnings he gave me, which also included, "Never eat at a restaurant named Mom's" and "Never play cards with a guy named Ace." These last two rules are easy to understand, but I never fully comprehended the first one until I bought Jones.

Jones is a little town in south Michigan I used to visit as an ice peddler with my father in the 1930s. In 1970 I pulled off the main highway to check it out, just out of curiosity. I was saddened by what I saw. What I remembered as classic small-town Americana had fallen into time's dumpster. The population, never large, had shrunk to 200 at most. Only three of the 14 buildings on Main Street were occupied. Even the spiders had vacated. Strolling cracked sidewalks, I peered into empty storefronts and pondered what had become of this once-cheerful crossroads town. Then I got the Big Idea. I would buy Jones and restore it to its turn-of-the-century heyday.

The real-estate prices provided even more of an incentive. It was a buyer's market, and in no time I owned most of the land within three blocks of Main Street. The fire-sale prices helped me justify over $1 million dollars I spent to turn it into a theme village: "Everybody's Old Home Town." Jones soon had The Red Garter Saloon, the Jones Opera House, 19th century print shop, sawmill, glass blower, gunsmith and even an old haunted house. Re-creating Jones was as fun as anything I've ever done.

The problem was that I hadn't considered the feelings of others critical to its success.

"Unless our key allies buy into our dreams, they can become nightmares."

Far from rolling out the welcome mat, the residents of Jones—those who were left—resented Ed Lowe bringing in a brass band to transform their lifelong home into a Midwestern Disneyland. My corporate family was equally annoyed with the time and money I put into the town.

With neither of these two critical groups of people on my side, I knew that Jones would never become a tourist magnet. I sold all my holdings at auction at a big loss. But I learned something that was probably worth the money.

Entrepreneurs are full of ideas and energy; that's why we often succeed against the odds. But we have to realize that unless our key allies buy into our dreams, they can become nightmares. The people critical to your success must support you before you dive headfirst in a new direction.

OK, I didn't give up on my Jones dream completely. I ended up building the little Wild West town of Billieville—taken from my wife, Darlene's, middle name—on my own acreage for the enjoyment of my grandchildren, guests and me until 1990 when it became Edward Lowe Foundation property. Now it also entertains visitors to the foundation. Unlike Jones, everybody loves Billieville. I guess that's what I should have built all along.

6

Bridging The Gap: The Journey From Entrepreneur To CEO

Marathon runners know that the last few miles or so of the grueling 26.2-mile race mean more than the others combined. It is here that many first-timers encounter the fabled "wall" that can transform nimble strides to leaden feet so quickly that athletes literally don't know what hit them. A smooth race to that point can freeze in its tracks if the runner doesn't successfully bridge that physical and psychological chasm between what worked before and what is required now.

Entrepreneurs of all stripes have faced that same wall when they want to grow from, say, a few million dollars in annual sales to tens or even hundreds of millions. Some push through to win the race, while many more cave in or reach a threshold they can't step over. The variable often is how well an entrepreneur can fill new shoes as a corporate chief executive officer.

Such a transition involves a paradigm shift that not everyone can make. Some, such as Henry Ford or Bill Gates, become hugely successful. Ed Lowe's ultimate business achievements were truly impressive: In its final 13 years, Lowe's ramped up annual sales to about $165 million from $18 million, an achievement few would have imagined when Ed first started filling cat boxes. Still, the firm didn't crack the Fortune 500 or achieve Ed's personal goal of establishing a billion-dollar company.

Why didn't Ed Lowe take the next big step? For one thing he ran out of time. For another, much larger companies were entering the market and Ed could see that Lowe's would face a new round of stiff, price-based challenges. Finally he decided to focus on his goals for the Edward Lowe Foundation and put his time and talents toward building an organization that would further entrepreneurship over the long term. It's also interesting to consider whether he ever took on the role of a true CEO. He seemed to love the day-to-day, hands-on aspects of the business too much to give them up. It's ironic because his well-known abilities to communicate with all kinds of people and personalities inside and outside of his company—coupled with his natural visionary approach to doing

business—would no doubt have made him highly effective in an even larger role.

Ed's finely tuned entrepreneurial instincts were ideally suited for a competitive, market-driven environment that relied both on high-quality products and innovative thinking. He was an idea man, insistent on continuous innovation. Except for the nonclay Litter Green product that Clorox introduced, Lowe's was first to enter the market with every improved cat-box product until the company was sold in 1990. Even after the sale, Ed continued to innovate and, in fact, retained a financial interest in the company.

"I don't think that Ed ever looked at anything in the world without wondering how he could make it better," Darlene Lowe explains. "He questioned everything he saw; not because he was critical, but because he was always seeking a better way." This relentless quest for improvement extended beyond Ed's company into his own home, where the rooms were filled with practical inventions such as a "bed buddy" portable nightstand that slipped under his mattress, or a device that compressed slivers of unused soap bars into a usable chunk.

Ed overcame a reading disability in his youth to devour books and magazines for new technologies he might apply to his business. Lowe's was among the first companies in the world to try powering a plant with "wood gas," which was created by heating up sawdust. It worked, but not as cost-effectively as conventional power sources. Far more fruitful was his pioneering use of Monsanto's scratch-activated odor-control technology in Kitty Litter and Tidy Cat.

As his company grew, Ed continued to focus on his customers and insist upon the highest quality for them. To fight new competitors who undercut prices or offered money-saving coupons to woo customers, Ed took the high road by being the first to differentiate benefits through advertising.

"Quality was perhaps Ed's real driving strength as an entrepreneurial guy," adds Paul Bowles. "He was quality conscious almost

to a fault. He wanted 102 percent, and the last 2 percent would drive us nuts trying to achieve it. But he was right. I think he really understood what customers wanted, and he was willing to spend whatever it took because he knew that, long term, if you capture customers with quality, you're going to keep them."

Ed was able to leverage his own bootstrapping experiences into an effective network of motivated independent brokers to sell his products to retail outlets. "The broker is not like an in-house salesman," Ed explained. "He takes orders and is paid commissions on those orders; he lives by his earnings. My broker organization was a network of entrepreneurs and became my main offensive line against the competition."

Like many entrepreneurs, Ed hated to sit in the office. The 1937 Chevy of his barnstorming years was replaced by passenger jets, but until the final years of his company, he made a point of putting "rubber on the road" on U.S. highways and runways. Instead of trips to pet shows or supermarkets, his later career was spent frequently visiting his growing number of plants, not only to inspect operations, but also to encourage the line workers. Wages that stayed 15 percent to 20 percent higher than market rate helped his cause.

"When Ed came to our plant, he would always ask the laborers what they thought about things," recalls Shirley Flanagan, longtime secretary to the manager of Lowe's Paris, Tennessee, facility. "He talked on their level and really treated the employees well. I understand that he went coon hunting with some of them. He always dressed in jeans with a little kerchief at his neck. He was not an executive who wore a suit and tie."

Ed initiated a wellness program at the home office called the I Can't Afford To Lose You Club (ICATLYC) that made the pages of Time magazine, where Ed was pictured jogging with Lowe's first controller, Tom McCauslin. At its core was an initiative that offered executives a bonus of 1.5 percent of their pay for staying within appropriate height and weight guidelines.

Ed explained the business rationale in the magazine: For every executive who dies from a heart attack or other serious, potentially preventable condition, the company must spend double his annual salary training a replacement.

But cost savings was not the only—or even principal—reason Ed Lowe was again out in front on human resources issues.

Though huffing execs smiled as they sweated, other groundbreaking Lowe's wellness programs, such as a mental and emotional health initiative, ventured into human resources territory virtually unexplored at the time. "We almost lost someone at one of the plants due to an attempted suicide," Wally Pollock remembers. "Ed called me in on the weekend and said, 'What are we doing about this? If somebody has a problem in the organization and they need help, what do they do?' At that point, we didn't have anything, so he said, 'I want you to come up with something.' "

Such sincere, farsighted approaches to leading a company make it clear that Ed Lowe possessed the instinct, the attitude and the will to lead a truly large corporation. Around 1980, in fact, Ed came up with his version of a mission statement, part of which proclaimed, "Lowe's will be a billion dollar company." An important part of Ed's strategy was a sensible effort to gain back market share in the cat-box filler business.

"His staff was happy with 40 percent of the market, and Ed pointed out that we once had 100 percent," says Darlene. "But even if he sold every bag of cat-box filler on the market, he knew he couldn't become a billion dollar company on Kitty Litter alone. That was one reason he tried branching out into other things."

One of the company's growth issues was that Ed, an action-oriented manager, was not accustomed to creating methodical business plans to put everyone on the same page. Some believed he felt boxed in by such procedures. "Before I joined the company,

I think most of the planning had been relatively informal, and that was satisfactory with Ed," notes Bowles. In coming up with ideas and pursuing innovation, Ed liked to operate pretty much without a road map. He understandably didn't want to miss any opportunity. As the company grew, he did come to accept, to a point, that most key employees needed some sort of plan to make it easier to work toward goals and targets and to know in which direction the company was going.

Ed's rapid-fire ideas and flexibility to change directions quickly served him well during Lowe's early years, but they often disoriented his now large employee force. "Ed's direction was like watching a driver careening around on a 24-lane freeway," observes Bowles. "Our goal was to reduce the highway to perhaps six lanes so he still had latitude, but we could follow him easier. He had a lot of thoughts constantly going. We had to pick out the ones we thought we could fit into the six lanes, keeping them moving and keeping Ed satisfied."

Even then, Ed could keep employees guessing about his wishes, even on nonbusiness projects. Mike McCuistion, a former Texan hired to manage the acreage now housing the Edward Lowe Foundation, never knew for sure when Ed would choose to micromanage a project—and possibly change his initial opinion. For example, Ed once took an unusual interest in the renovation budget for an old farmhouse on the property. Against McCuistion's recommendation—and his own usual spare-no-expense approach to historic restorations—Ed decided against spending the money necessary to fully insulate the old house. When Ed returned from a business trip a couple of weeks later—after the walls were closed in—McCuistion recalls a conversation that went something like this:

Ed: "Have you got the wiring and insulation in?"

Mike: "No, Ed, we didn't put the insulation in."

Ed: "Why in the hell didn't you put insulation in there? We're going to try to heat this sometime. You can't hold the heat without insulation."

Oprah Winfrey: Blazing Her Own Trail

AP/Wide World Photos

Oprah Winfrey's career path matched her personal velocity. She didn't invent the daytime television talk show; others, including Phil Donahue, had already blazed that trail. But only 12 weeks after she took over the flagging *A.M. Chicago* program at station WLS in 1984, the show's ratings outstripped *Donahue* in the syndicated show's home city. Within a year, Donahue left for New York, and Oprah was poised for national stardom of her own.

But then Oprah was blindsided by another offer she couldn't refuse. Director Stephen Spielberg offered her a role in a new film version of one of her favorite books, Maya Angelou's *The Color Purple*. The station was reluctant to release its hot new star but gave her six weeks. When the filming ended up taking twice that long, Winfrey knew she could not have both a film career and a daily network talk show.

"…asking why she can't be the star* and *the boss…"

She solved the problem with the unprecedented move by a television personality of opening a production company specifically for her own show and syndicating it through an independent distributor. In 1988 Winfrey launched Harpo (Oprah spelled backwards) with her own cutting-edge studio in Chicago. No other talk show host had ever completely controlled their own show, largely because of the great investment needed for something that could tumble in the ratings at any time. By comparison, Phil Donahue was a small shareholder in the company that produced his program.

Winfrey wasn't easily discouraged by "conventional" wisdom. And as she hoped, the flexibility of her own studio left her free to pursue side film and TV projects while producing her talk show. It also yielded a more lasting benefit she hadn't fully anticipated. Though Winfrey's stardom never rose in subsequent theater or TV movies, her talk show was a growing sensation. Today stations across the country run *The Oprah Winfrey Show,* and her total control of production—down to signing the checks—has put an unusually high percentage of the proceeds into her pocket. By asking why she can't be the star *and* the boss, Winfrey in 2003 became only the second black billionaire in history.

Mike: "Well, you told me not to insulate it."

Ed: "I don't give a damn what I said. We're in Michigan, and you know it gets cold here. Don't listen to what I say, do what's right."

Ed bristled at complacency and would occasionally home in on minor issues to stir the employee pot. Once he hired a private jet for a couple of days of shuttling himself and several other executives around to different locations. Upon examining the invoice of several thousand dollars, he chafed at the cost for a few dozen donuts. When his staff urged him to consider how the donuts were just a smudge on the "big picture" of the total expense, he countered, "The donuts *are* the big picture. The way we paid through the nose for them, how do we know we weren't overcharged for everything else?"

Lowe's corporate motto consisted of three words: Quality, Pride, Family. Ed's patriarchal feelings toward his business were obvious to anyone who watched him touring his manufacturing plants like a head of state, backslapping or hugging the old-timers and hailing workers as "Pal" or "Peaches" when he couldn't remember their names. He was moved by their problems, and benevolent acts such as picking up one employee's uninsured medical expenses or hiring another's unemployed husband as a groundskeeper became factory-floor legends.

Ed also loved a party and threw at least one or two each year for employees, their spouses and children. Many of those parties were themed events held at his farm—Big Rock Valley—which is now the headquarters for the Edward Lowe Foundation. Ed expected his work family to show up for these celebrations, not only to have fun but also to build the camaraderie necessary to any successful growing company. Attendance was not a problem, however, because there was good reason to celebrate.

Spurred by the introduction of dust-free Kitty Litter and Tidy Cat in 1986, Lowe's growth shifted into overdrive, and the road ahead looked wide open.

But for some time Ed Lowe had also been looking down another road, and he didn't like what he saw. From years of launching and growing businesses, seeing how jobs were created and lost, he became convinced that growing, entrepreneurial companies—not large corporations—were the American economy's greatest assets. But he knew that such companies weren't getting the help they needed and that their owners were struggling, essentially alone at the top, to learn what they needed to know to grow their companies. In addition, they didn't have the time to be their own advocates for better conditions.

He wanted to change that, and he saw the Edward Lowe Foundation, established the previous year, as the perfect vehicle. "Ed was a futurist," said John Pairitz, "and he was already focusing on the foundation" as a way to shape the future of entrepreneurship in America.

Ed also wanted the Lowe name to "go on forever." As he found himself working harder and harder to make the foundation a success, he saw this latest brainchild as a way to ensure that would happen, regardless of how his company fared. Funding the foundation became more and more important.

While the future of the free enterprise system was shaping up in Ed's mind, the present was rapidly changing. Although he had no formal training, Ed had long been the company's "chief marketing officer," an unofficial position he clearly earned over the years. With his first sale of "dirt in a bag" to a skeptical pet-store owner, Ed began to develop an insightful marketing intuition bolstered by persistence and creativity. A lot of people had said "No" to Ed. He had learned how to help them say "Yes."

So, under Ed's leadership, Lowe's was keeping an eye on the marketplace, doing what business schools came to call "scanning the environment." As might be expected, when Kitty Litter and Tidy Cat began to take up shelf space in the supermarkets, competitors took notice of Lowe's, Inc. Now, the competitive climate quickly

became much more challenging, especially in mass consumer markets where huge marketing budgets were essential to achieving—and sustaining—a competitive advantage. Lowe's was a large, successful corporation, to be sure, but it wasn't a giant conglomerate, and its pockets weren't bottomless.

Eventually, during a single meeting with his advisers, Ed reviewed a variety of factors he believed would influence the rest of his life and legacy. Taken together, but largely driven by a compelling desire to throw the foundation into high gear now that it had been up and running for a few years, these factors made it clear to Ed that selling his beloved "golden cat" was the right thing to do.

In fact, Ed had been privately pondering the issue of selling the company. In typical fashion, he had recently been asking John Pairitz "What if" questions. Pairitz understood the confidential, brainstorming nature of those discussions. "I knew Ed wasn't going to sell while we were just creating scenarios," says Pairitz, "but I could see he wanted to be ready if the time ever came." Now, that time had come.

By the end of 1990, Lowe's had several suitors, including Ralston Purina, but the high bidder was a group of investors with not only the right price, but an offer to provide Ed a 20 percent equity share, which appealed to his paternal instincts for his company of more than 40 years. When everything had been arranged, however, the investment group's financier balked the day before closing.

Faced with collapse of the deal, Ed quickly made a quantum entrepreneurial leap by providing partial financing to the group trying to buy Lowe's. Within hours he had floated those investors a loan of about $20 million, putting him in the unusual position of holding a mortgage on his own company. Most incredibly, he did it all from a hospital room, where at 71, he was being examined for a heart irregularity. Pairitz was given power of attorney for the signing the next day, but as it turned out, he didn't need it.

"We had just begun the process when, lo and behold, Ed walks in," Pairitz recalls. "He came from the hospital, though he didn't have to, because he wanted to be there. He had this big, oversized pencil and said, 'Where do I sign?' A showman to the end."

This risk paid off well. Because the interest on the loan was so high, Ed actually regretted that the investors were able to pay up quickly. Best of all, Ralston Purina, which Ed felt drove too hard of a bargain when Lowe's first went on the block, bought the company nearly five years later for a much greater price than it would have paid before.

Even while revitalizing and eventually selling the business he had invented, Ed continued to stir several entrepreneurial pots. One late-career effort was his fascination with the idea of creating a litter from a recycled paper material. Beginning in 1983, Ed set his research and development staff on exploring the sludge. This work led to the creation of a company called Granulation Technology, which developed a successful dust-free pesticide carrier. The litter product, in fact, was also created but not immediately marketed and distributed. After Ed sold the company a few years later for $10 million, the new owners took the most recent version of the paper-sludge litter to market as PaPurr.

In the twilight of his life, the man who created a new industry and changed millions of lifestyles was also wealthy enough to set whatever entrepreneurial course he wanted to, and he was not finished. Ed Lowe's greatest legacy for entrepreneurs and entrepreneurship lay ahead.

Ed Lowe on: Executive decisions

I have a suggestion for entrepreneurs who are daunted by the cost of sophisticated yet expensive marketing research: Weigh your mail.

My friend Frank owns a Los Angeles-based firm that manufactures and sells point-of-purchase display products, such as placard holders and bins. Most of his sales come from direct marketing, and he has a staff of about 25 people to fill the demands of his now multimillion dollar business. Frank's primary role is to periodically spend some face time with good customers and prospects and, of course, make the big decisions for his company.

One day I learned that Frank had moved from L.A. to Sarasota, Florida, to be closer to his daughter and grandchildren. I was pretty surprised because while I realized that Frank could base himself anywhere and still call upon his nationwide group of customers and prospects, I was a bit skeptical that he could truly keep his finger on the daily pulse of his business from 3,000 miles away.

A couple of years after he moved, I got together with Frank during one of my trips to Florida. I inquired about the impact of his migration, and he replied that his company was doing just fine, thank you. I couldn't resist asking: "How do you stay on top of your day-to-day business when it's on one coast and you're on another?"

"It's easy, Ed," he assured me. "We weigh the mail."
"Weigh the mail?"

"That's right. Each day my office manager separates checks, orders and inquiries from customers or prospects from everything else.

"What you really need to know is whether people are responding, every day, to what you offer."

"Then she weighs them on her postal scale and calls me with the result. She also gives me the number of phone inquiries (this was pre-Internet) from the day before. I know what constitutes a good mail weight and call volume. If they're down for several days straight, I'll talk to my key people or fly to L.A., if necessary, to find out why."

"I live or die by customer activity; nothing else really matters. So I really can weigh any decisions I need to make by first weighing the mail."

Now don't get me wrong. I'm not suggesting that all entrepreneurs move to the other side of the world and rely on a good scale back in the home office. But I do think that despite the seemingly exhaustive indexes and matrices available these days—and I admit that I've contributed my share to the clutter—what you really need to know is whether people are responding, every day, to what you offer. Frank was certainly right: nothing matters more.

I recently acquired a vacation home in Florida, which Darlene and I visit frequently. But when I'm there or anyplace other than our headquarters in Cassopolis, Michigan, I call the office every morning to see what transpired the day before. I get the sales count and talk to any department manager who has a problem or question for me. And if I'm feeling especially inquisitive that day, I have my secretary weigh the mail.

7
Giving Back: Building A Foundation For Tomorrow's Entrepreneurs

While Ed's business brain sometimes fled from details, it unfailingly embraced a big-picture view that he called "funnel vision." Contrary to the restricted perspective of "tunnel vision," funnel vision is the view through the small end of the cone of life, looking past the tiny portal at hand to an expanded realm beyond. This broad focus is what originally helped Ed to see a multimillion-dollar business in his neighbor's cat box. Thirty years later, he looked through that funnel for his corporate legacy.

Along with Ed's credo, "Lowe's will be a billion-dollar company," was his insistence that "Lowe's will go on forever." But at age 65, Ed accepted that he could no longer follow the path to achieving those two goals as he wanted to. He was ready to phase out of this chapter of his life and pondered how moving to this next level could best be accomplished. Even though he could sell his business profitably, Ed cringed at the notion of the Lowe's business name and his core beliefs being absorbed and eventually disappearing.

He had been mulling over this problem for some time, and the ultimate solution was the Edward Lowe Foundation. The foundation was launched in 1985, but the accumulation of Ed's spiritual and physical assets that made it possible began much earlier. In time they would become as important as Kitty Litter to perpetuating his entrepreneurial legacy.

While Ed could be a hard bargainer and tough business rival, his altruistic side was no secret. He was a firm believer that "he who gives while he lives also knows where it goes." Besides providing better than average wages and employee benefits, Ed was quick to respond to a hand outstretched in what he perceived as genuine need—or, sometimes, even when there was no request for help. John Pairitz witnessed one such example that was especially moving.

"Once, around Christmas, a guy came around with a business proposition. He was obviously down and out and in need of more than just business advice," said Pairitz. "Ed told him to come back tomorrow, and he had a turkey waiting for the guy when he arrived.

Then Ed took out a big roll of money and started peeling off $20 bills and piling them on top of the turkey. The guy is just standing there amazed, with tears in his eyes. That was just the way Ed was."

Ed supported the Cassopolis area with more than his pocketbook. Despite the demands of his business, he founded his county's planning commission, served as president of a Cassopolis service club and was even elected mayor for two terms. Within his industry, Ed was a charter member of the Sorptive Minerals Institute and an officer in other trade groups, such as the American Pet Products Manufacturers Association. One of Ed's greatest passions, though, was what later became known as "championing the entrepreneurial spirit." Ed felt that entrepreneurship was what made America great and that the intrepid mountain men who pioneered the West before the miners, cowboys and settlers epitomized that spirit. When Ed read about their exploits, he confirmed, "I knew I was meeting blood brothers. I recognized that they were the bona fide entrepreneurs who blazed the trail for the opening of the continent. They did so not with guns and armies, but with their own courage, their own wits and their remarkable individualism."

Like the mountain men, Ed felt that he had built his business and succeeded on his personal acumen, almost against the odds. After 30 years in business, he didn't see entrepreneurs getting any more support than he did when he launched Kitty Litter. If anything, the situation became worse as Japan cut into U.S. dominance of industries such as steel and auto manufacturing, and regulation piled upon regulation. Ed felt that the government focused on what he called "the dinosaur of bigness," favoring bailouts for tottering corporate giants over help for small businesses, which statistically contributed more to the American economy. An increasing amount of his pondering time was spent wondering how he could help upcoming generations of Ed Lowes.

"Whatever I've done, admittedly has been with the help of others," Ed observed, "but no one comes to mind who has influenced me with continued guidance or ongoing understanding to help show me the way or to guide my course. The long and short of it is, I have been on my own." He vowed to remedy that shortfall for entrepreneurs of the future.

At first Ed's ideas for foundation initiatives came—and sometimes went—as quickly as his business experiments. Even before the foundation was created, he toyed with everything from Outward Bound type executive ropes courses to a design for a Business Opportunity Center. Somewhere in between was a 10-week "Business Boot Camp" that he conducted for college students. Eventually Ed decided to concentrate on established entrepreneurs, people who had already taken the plunge and were infused with his so-called beagleism.

"A beagle will chase rabbits instinctively," he explained. "You don't have to teach him to do this, but you can teach him where the rabbits can be found. The creative spirit of the would-be entrepreneur can be nurtured and expanded in an environment that is conducive to it."

One of Ed's dreams for the foundation was to bring people to Big Rock Valley, which he found to be a valuable place for quiet reflection and gaining perspective on a variety of challenges. He believed others could benefit in a similar way, especially if they were pointed in the right direction.

The not-for-profit world however was to prove at least as challenging in some ways as the commercial world and would require the same determination. The Edward Lowe Foundation was established as a grantmaking foundation in 1985. As his new entrepreneurial adventure found meaningful activities to support, Ed wanted his foundation to serve entrepreneurs by developing and running its own programs. That approach suited him better than providing grants for others to create and operate programs.

Ewing Marion Kauffman: A Wonderful Feeling

As a young man, Ewing Marion Kauffman could only imagine the life he would lead. Kauffman grew Marion Laboratories from modest beginnings, packaging pills in the basement of his home, into a billion-dollar pharmaceutical giant. He shared the rewards of the company's growth with his associates in Kansas City, Missouri, and encouraged them to bring new thinking and innovations that revolutionized the industry.

His business succeeding beyond his wildest dreams, Kauffman turned his vigor, intellect and wealth to a style of philanthropy that would dig deep and get at the roots of issues, rather than merely addressing the symptoms. He told friends he was having more fun giving money away than he had earning it. "Anybody who has any extra money is so foolish if they do not utilize it to help others," he maintained. He directed his foundation to focus on his two lifetime passions: advancing the welfare of children and promoting entrepreneurship in America. "It sure gives you a wonderful feeling when you do it right and you accomplish something that helps humanity," he said.

With his wife Muriel's support and encouragement, Ewing Kauffman stepped up to the plate when he was convinced that a major league baseball team would bring economic muscle to his hometown. Once he committed to the idea, he poured the same energy, resources and entrepreneurial genius that made him

"Ewing Kauffman not only embodied the entrepreneurial spirit but also championed it relentlessly."

him a successful businessman and philanthropist into the team. He hired mavericks who went against the game's conventions to build the Kansas City Royals into a model sports franchise.

Ewing Kauffman was a self-made success who embodied the entrepreneurial spirit and championed it relentlessly. He shared Ed Lowe's view that entrepreneurs were the most productive contributors to the American economy. The two men also shared a devotion to bringing the importance of entrepreneurship to the forefront of the American consciousness and for supporting programs that encourage people of all ages to engage in entrepreneurship.

Since Kauffman's death in 1993, the Kauffman Foundation stands as his legacy, working nationwide to catalyze an entrepreneurial society in which job creation, innovation and the economy flourish. The foundation seeks to further understand the phenomenon of entrepreneurship, advance entrepreneurship education and training efforts, promote entrepreneurship-friendly policies and better facilitate the commercialization of new technologies by entrepreneurs and others that have great promise for improving the nation's economic welfare. The foundation also seeks to address the educational gap by making Kansas City a national model for math and science education, investing in programs that are designed to help students develop skills needed in industries and professions critical to the community's growth, such as engineering, medicine and biotechnology.

The Kauffman Foundation, emulating the perspective of its founder, operates as an entrepreneurial foundation, taking risks and looking for opportunities where resources applied in a thoughtful way can make a meaningful difference in people's lives and the nation's economy.

Ed began thinking about broadening the foundation's mission to include entrepreneurship education and research activities that could be pursued directly and without making grants.

So in 1991 the foundation became a private "operating" foundation, which is the status it holds today. (Operating foundations are permitted to run their own programs; grantmaking foundations are not.)

Over time, the foundation narrowed its focus even further to provide practical help for second-stage entrepreneurs who have successfully moved through the startup phase but are trying to overcome a host of obstacles—"brick walls," Ed called them—to grow even more. Second-stage companies are a vital but often overlooked driver of the economy. The foundation today provides assistance in a variety of ways and largely by working through other not-for-profit organizations. This "hand instead of a handout" philosophy also dovetailed with Ed's personality as a man of action.

"Second-stage entrepreneurs are the most productive builders of true economic growth," observes Mark Lange, executive director of the Edward Lowe Foundation. "The Microsofts of tomorrow have to get through that second stage. Ed passed through it with very little outside help, and he wanted to establish a support network for future entrepreneurs entering this make-or-break phase of their business development."

"To Ed," adds Darlene Lowe, "second stage probably began the day he stopped opening his own mail. That was a big step for him because he realized he just couldn't do it all. He knew that entrepreneurs at that level need special help, and that's what he wanted to give them."

Ed drew on his love of the outdoors to relate business to nature and put forth a few ideas about business development being organic. The entrepreneur is the core of the company, working hard to build a business, his thinking went. An ideal environment for entrepreneurs includes support services in the

form of counsel and other ready resources, as well as low-cost public-sector loans and a government big on assistance and small on bureaucratic regulations. With these fertile business conditions and others, an entrepreneur's new venture could grow to become a successful large corporation. Without them, the young business would die from lack of nourishment and nurturing.

Ed's exploration of ways to put this theory into practice prompted Inc. magazine to dub him, "The White Knight of Kitty Litter." Some wondered whether, vicariously, Ed was seeking the excitement he enjoyed in developing his own business. "He loved the idea of jumping in and helping another small company become the next Kitty Litter," says Darlene Lowe. "It took him a while to get used to stepping back and looking at the bigger picture of being a resource for a lot of people instead of a ramrod for a few."

So, with the foundation steaming toward a firm mission and beginning to develop practical programs, Ed's death in 1995 at age 75 was a serious loss not only for his family and friends but also for entrepreneurs and entrepreneurship. As would be expected, Darlene took charge as the foundation's chairman and chief executive officer with a renewed determination to fulfill Ed's desire to link entrepreneurs of growing companies with resources he never had. At a profoundly emotional time in her personal life, Darlene recognized the crucial transition the foundation faced. She took on this additional responsibility with a passion that provided a much-needed sense of continuity to Ed's drive and endless stream of ideas. And she continues to perform that important work today.

"Darlene is more patient and willing to make gradual inroads," notes Mike McCuistion, now the foundation's director of physical resources. "I think that if Ed stuck his head in and looked at things today, he'd be very pleased. But he would have used a different process."

Ed Lowe on: Giving back

This may be the last thing on your mind right now, but unless you're carried out in a box, all entrepreneurs must face leaving what they started. That's what I did after more than 40 years at the helm. I unearthed the cat-box filler industry, and some people expected me to be buried in it. But in a move that surprised more than a few who knew me, I eventually sold the company I built.

The good news is that I wasn't forced to sell; the company was doing fine. And while some entrepreneurs plan to build a company to later divest it for a quick profit, that wasn't my goal. Nor was passing the reins on to my children a consideration; they had all exited the business.

So here I was approaching age 70 and wondering what to do. In the product category I invented, there was little left to prove. My original brand, Kitty Litter, had become a household name, and my Tidy Cat line remained No. 1 in the industry, despite market attacks by much larger companies.

Yet even though selling my business would ensure me financial security for life, I was too bound by a half century of work ethic to go cold turkey and spend the rest of my days wandering the world or playing golf. What's a lifelong entrepreneur to do?

Although I continued to be involved in entrepreneurial business activities, my ultimate solution was to finish a new venture—perhaps the most important one of my life—that

"My ultimate solution was to finish a new venture—perhaps the most important of my life."

I had started five years earlier. With my wife, Darlene, I had established the Edward Lowe Foundation with the simple goal of helping entrepreneurs succeed and compete in the world market. I felt that the United States was losing its manufacturing edge and believed that entrepreneurship—that can-do spirit that lifted us to the top in the first place—was our best chance of winning it back.

It had been difficult to both run my company effectively and give the foundation the attention it deserved. That's when it became apparent to me that I had discovered the right time to sell the business, to put my money where my mouth was. I endowed the Edward Lowe Foundation at a level to guarantee that it would continue to help entrepreneurs long after I was gone. The time spent building the foundation has been more fun than any other retirement hobby I can imagine.

When the time comes for you to think about moving on, you'll consider aspects such as your age, finances, children and, most important, whether you've accomplished what you set out to do. There's no exit strategy that's universally sound for everyone. You're a successful entrepreneur partially because you used your head when launching your business. Leaving it is a decision you'll make just as much with your heart. But if you do leave, consider taking some time away from the garden, fishing hole or wherever you're relaxing to help nurture the next generation of entrepreneurs.

Unlike grantmaking organizations, the Edward Lowe Foundation concentrates on providing services instead of grants, including practical information and educational experiences for second-stage entrepreneurs and organizations that serve them.

Among these support tools are an array of customized software applications and technology solutions developed and winnowed to the most useful. "Ed saw the potential for online information sharing long before the Internet became popular," observes Darlene, "so we got somewhat of a jump on this type of service."

Today the Edward Lowe Foundation Web site (www.edwardlowe.org) is a valuable information resource that contains hundreds of original articles, how-to guides and information briefings for entrepreneurs looking to take their businesses to the next level. Topics range from marketing and human resources to legal issues and taxes.

Two innovative foundation programs stepped onto the national stage in 2005: the *PeerSpectives® Roundtable System and Companies to Watch.*℠

The PeerSpectives Roundtable System is licensed to other not-for-profit organizations to provide professionally facilitated, peer-learning roundtables for second-stage entrepreneurs. Launched in the fall of 2004 in Wisconsin, this system provides an effective way for entrepreneur support organizations to enable business owners to learn from each other, address current business issues and become better decision makers. Other states and organizations began to use the program the next year. The foundation helps regional host organizations with the implementation process and trains the facilitators of the roundtables in the *PeerSpectives* approach.

"One of Ed's greatest desires was to set up a clearinghouse where entrepreneurs could share their experiences and learn from each other," says Mark Lange. "He always said that business people learn as much from Main Street as from Wall Street.

Virtually every problem facing an entrepreneur has been overcome successfully by one of his or her peers. Ed believed that getting second-stage entrepreneurs together in situations where they can learn from each other would prove invaluable to their companies and to the economy as a whole."

The *Companies to Watch* recognition program puts the spotlight on growing second-stage companies in a different way. Launched in the foundation's home state of Michigan, the program recognizes second-stage companies for their marketplace performance, innovative or valuable contributions to the community or economy, or significant potential for achievement. In 2006 Arizona became the second state to implement the *Companies to Watch* program, which set the stage for other states and regions to license the concept.

The success and acceptance of these programs by entrepreneur support organizations and economic developers at the state and regional levels helped the foundation to embrace the big picture Ed referred to—"being a resource for a lot of people instead of a ramrod for a few"—and an overall philosophy that encourages the concept of "economic gardening." Gardening refers to the activities involved in assisting with the creation of new companies and the growth and nurturing of existing companies in a region. The foundation believes that gardening should be encouraged and applied as a balance to the "economic hunting" strategy that traditionally focuses resources and attention on the practice of business recruitment.

Also in 2006 the foundation assisted in the development of measurement tools to track the impact of economic gardening, growth companies and entrepreneurship in general on job creation and the economy. The foundation plans to release national and regional metrics on a regular basis to highlight the importance of focusing on growth companies as a critical economic development strategy.

Evidence that the foundation's work on behalf of economic gardening and second-stage entrepreneurs was beginning to attract wider attention came in the form of a bill introduced in the U.S. House of Representatives. The purpose of the bill, known as "The Second-Stage Small Business Development Act of 2005," was to create peer-learning opportunities for second-stage entrepreneurs through Small Business Development Centers. The foundation served as an information resource in connection with the bill.

Another key component of the foundation's services are small group meetings and retreats at Big Rock Valley. "Big Rock Valley has more natural places for pondering than a puff ball of floats from a dandelion that gave up its seeds to the wind," Ed Lowe once wrote. "I've done my quota of pondering all over the world, but absolutely nothing can match the ponderosity of this sweetest home of all."

Today the foundation designs activities to educate entrepreneurs that make use of Big Rock Valley's natural environment and the way nature works.

"Part of our goal is to get entrepreneurs to step outside of the everyday details to look at the big picture, much like Ed's pondering process," says Lange. "But we draw analogies from the natural world of Big Rock Valley to the business world."

Retreat participants have taken "reflective walks," for example, and used digital cameras to record illustrations in nature that relate to their own issues and emphasize the value of changing perspective. Other exercises use a "sensory inventory" to demonstrate the importance of purposeful listening.

While supporting Big Rock Valley's utility as a resource for entrepreneurs, Ed insisted on preserving its environmental integrity. "Ed never considered himself an environmentalist per se," McCuistion says. "But to me, he was an environmentalist in the purest sense: a steward of the land. He loved Big Rock Valley and made sure that what we did was always in the interest of preserving, not changing, its ecology."

Environmentally friendly initiatives have included inventories of plant and animal species, as well as restoration of historical habitats such as tall-grass prairies. These initiatives progressed with a more formal environmental approach by engaging university researchers and becoming aligned with a variety of well-known environmental organizations.

While buildings on the foundation grounds are equipped with the latest in computer and other technologies, their facades harmonize appropriately with the land. "You'll never see something like a white Victorian gazebo on the property," says Darlene's son Doug Wyant, who Ed felt was a kindred spirit in his vision for Big Rock Valley. "Not because it's not attractive, but because it isn't right for this environment. Something like a rough-hewn rustic shelter would be much more appropriate."

Most of the buildings at Big Rock Valley are 19th century farmhouses and barns lovingly restored and filled with furnishings that reflect Ed and Darlene's vision for the property. In fact, design is so integral to the foundation's activities that in 2005 Darlene Lowe wrote *BRV Style!*, a guide to design at Big Rock Valley that describes her philosophy, insights and goals.

The foundation has certainly perpetuated the name of Edward Lowe, especially among entrepreneurs and the wider entrepreneurial community, which were closest to his business heart. And it is helping to forge tomorrow's business leaders in Ed Lowe fashion: with an optimistic attitude and a smile.

"The biggest mistake business people make is forgetting to have fun along the way," Ed warned. "If I'm not having fun at what I'm doing, then why do it? I love my life, I love what I do, and it makes me happy. If I make some money along the way, that's great too. But the persons who do have it made, the million-dollar thinkers with entrepreneurial instincts, owe a certain amount to the younger generation to carry it on."

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Written by Heidi Connor

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