

Key Data:	
Name	Arthur Block
Position/Title	President & Chairman
Companies	Block Brothers, Tree Island, and Can-Oat
Locations	Vancouver, B.C. (Block Brothers), Vancouver, B.C. (Tree Island) and Portage La Prairie, Sask. (Can-Oat)
Type of Businesses	Real Estate Sales and Development (Block Brothers), Manufacturing (Tree Island) & Milling (Can-Oat)
Number of Employees	3,500 (Block Brothers), 500 (Tree Island) & 200 (Can-Oat)
Status	Public (Toronto Stock Exchange, Tree Island) Private (Block Brothers, Can-Oat)
Years of Operation	1956 – 86, some parts still active (Block Brothers), 1963 – present (Tree Island) & 1988 – present (Can-Oat)
Revenue (Annual)	N/A

## ARTHUR BLOCK BLOCK BROTHERS, TREE ISLAND INDUSTRIES LTD. & CAN-OAT MILLING PRODUCTS INC.

Interviewed by Steven Jantzen and Geoffrey Kun  
on October 17, 2004

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### ENTREPRENEURIAL SEEDS

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

My first entrepreneurial venture came after my year at Harvard Business School. After a short period of real estate selling experience I quickly saw an opportunity in land development, supplying builders with building lots and retaining the right to sell the houses as a licensed real estate agency. This became the starting point for Block Brothers, which my brother Henry and I spent 24 years growing into one of the largest real estate sales organizations in Canada. We expanded to include construction of apartments, mortgage facilities, land development, property management and ancillary services.

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

Sometimes things just happen. After I graduated from the University of British Columbia [UBC] I didn't know what direction to take. Passing a bulletin board at UBC one day I saw a notice, "Hudson's Bay Company Needs Management Trainees." I applied and after some aptitude tests I was told by the psychologist that I was not suitable for business. You have to remember that my age group was demographically lucky since I was born just before the time of the depression. The birth rate had fallen drastically during the 1930s

and consequently there were very few of us. I'm sure the personnel manager at the Hudson's Bay Company experienced a shortage of applicants and therefore was willing to take a chance on me, even though my aptitude tests were not favourable.

3. *Was there any one person who was a model of inspiration for you and in what way?*

I would have to say that my brother was really a model and inspiration, because he went into business before me and had a natural ability in sales. The first land development that I did, I borrowed money from him to finance the project. He saw that I was doing well, so he decided to leave the car business and go into real estate. This is how we joined to form "Block Brothers."

4. *Was your educational experience helpful? If so, in which way?*

Yes, of course, my educational experience was helpful. One doesn't exactly know how education affects our choices or in what way it is helpful. For me education broadened my horizons, sharpened my analytical skills, and reduced my reticence. Harvard Business School's case method approach to business education requires written and oral defense of case analysis and consequently sharpens an "I can do it" attitude.

5. *How many different business ventures have you started in the course of your entrepreneurial career and what percentage do you estimate were financially successful?*

I have been involved in five major start-up ventures in different sectors: real estate, construction, steel products, grain milling and aquaculture. Most have been successful and three became public corporations. Block Brothers became one of the largest real estate sales organizations in Canada. Tree Island Steel is one of the largest steel products entities in North America and Can-Oat is the largest oat milling entity in North America. There have been failures but I choose not to dwell on them.

#### COMPANY FOCUS: CAN-OAT MILLING PRODUCTS INC.

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

In the case of Can-Oat Milling Products Inc., William Kent and his sons from Manitoba presented an opportunity in grain milling to myself and some associates. They were looking for equity participation. We were presented with the concept; after analyzing it and determining that it was a good opportunity, we decided to go ahead with it.

7. *What were the critical elements you assessed before you decided to pursue the opportunity?*

Prior to pursuing the opportunity, some of the critical elements I assessed were people: their history, knowledge of grain milling, reputation, etc. Other elements that were assessed included: the examination of business plans, projections, financing formulas, the manufacturing process, marketing plans, sourcing raw materials, farmer relations, transportation, logistics, competition and time lines.

In the case of Can-Oat, we discovered that our competition were strong companies that had been in the business for years. We realized, however, that our competitors were operating with old mills. So we decided to enter the market with a new mill and all of the latest technology; we would be able to compete against them with this. In a business such as this, it is also important to analyze the ease of entry into the market. We discovered that no matter how strong of a product you have, buyers are very reluctant to switch producers.

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

It took about a year. William Kent and his sons presented the idea of an oat mill and their comprehensive business plan. So they had something in hand, and also had a wealth of experience in milling. We spent about a year and a half building the mill. Oat milling is quite complicated, much more complicated than wheat flour milling or the other grains.

9. *Did you find or have partners? If you had partners, who were they?*

The Kent family had a long history of wheat flour milling in Manitoba. They brought experience and know-how to the partnership. We were asked to bring equity to the project.

10. *Did you have a business plan of any kind?*

We developed a comprehensive ten-year business plan, which included budgets for capital costs, operating, marketing, transportation logistics, and raw material supply.

11. *What kind of financing did you have?*

Our financing plan included an interest free federal government loan, equity funds and operating bank loans.

12. *How much capital did it take?*

Our financing requirements were approximately \$25 million.

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

Our entry into the market was not easy. Even though we had an excellent and even superior product, we discovered that large users of oat flour were hesitant to change suppliers. Quality control was of the highest importance and we were new and without a history of reliable supply. We struggled for a number of years with negative cash flow. Eventually our consistent quality won us a place as a reliable supplier. It probably took us at least three years to reach profitability.

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

Yes, there were lots of meetings. We had a board that included my son, a chartered accountant, the Kent family and myself. There were about seven of us on the board, who were all very active in decision-making. We had meetings on a monthly basis and there were many phone calls. There was the continuous fine-tuning of expenses,

of pricing for the project, market entry problems and production problems.

We had to produce a certain kind of product and we had to produce that product consistently. There were many adjustments made along the way. When additional capital was needed, the people putting up the equity had to supply it. One of the aspects of entrepreneurship or projects of this sort is that you better have some finances to fall back on.

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

The strength of the venture was the people who were involved. The Kents brought milling know-how to the table and we brought financial and start-up strength. We were hands-on investors and involved in the project.

The weakness of the venture was that we didn't anticipate the difficulty of entering the market. Users of our oat products did not easily change suppliers. A better product or even better price did not necessarily persuade the buyers. Since the oat product was usually only a part of the mix in their product, they were hesitant to change for fear of changing the quality of their product. It was a great achievement for us to be able to break into supplying General Mills, Quaker Oats and Kelloggs.

16. *What was your most triumphant moment? Your worst moment?*

I think our most triumphant moment may have been when we were able to make a breakthrough with one of the big customers like Quaker Oats. They had a division in South America, and they agreed that we could supply this division. This meant that we had to send them one hundred train car loads of product across the prairies to the port in Vancouver, load it in a ship and ship it to South America. Obtaining this contract was a big moment for us.

Our worst moment was a human problem. This occurred with our President taking some wrong steps in his relationships within the company. This was a moral question and we decided that we had to

change presidents. This was a very traumatic time. However we were able to handle and recover from this problem.

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

The most difficult gaps to fill were for us to get the right people into the right jobs. Management, the leadership and the production staff of the company were probably the most difficult for us to fill. The main problems that we had usually surrounded people. You do the best you can to hire the right people and reward them in accordance with their abilities and their opportunity; yet you find it's hard to make those judgments. You don't know how a person is going to perform when he is faced with certain tasks.

*18. What were the key attributes you looked for in people as you grew the company?*

I usually try to get a sense about the person's character, their integrity, honesty, and reliability, etc. I want to know about their experience, training, special abilities and what it is that excites them about achieving goals. I try to assess what motivates the person.

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#### **TREE ISLAND INDUSTRIES OVERVIEW**

Tree Island Industries Ltd. is one of North America's largest producers of steel wire and fabricated wire products. Our principal products are nails, bright wire (including wire for the bedding and upholstery industries), stainless steel and galvanized wire (including baling wire), stucco reinforcing products, fence products and other fabricated wire products. These products are all manufactured from wire rod sourced from a variety of steel producers around the world.

#### **TREE ISLAND WIRE INCOME FUND**

Tree Island Wire Income Fund is an open ended limited purpose trust which owns 100% of Tree Island Industries Ltd. It is listed on the Toronto Stock Exchange (listing symbol TILUN).

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Headquartered in Richmond, British Columbia, Tree Island Industries Ltd. operates eight plants located in British Columbia, California and Washington and employs approximately 860 people. The Company's business is organized into five major brands: Tree Island, K-Lath, Advanced Wire Technology ("AWT"), Halsteel and Industrial Wire Products ("IWP"), all of which produce specific products and serve specific market segments primarily in the Western United States and Western Canada.

Source: [www.treeisland.com](http://www.treeisland.com)

#### **LOOKING BACK**

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

For me it has been seeing the growth and development of people with whom I was associated. It was particularly rewarding to see growth in people who looked to me for leadership. I always preferred to work in a spirit of equal-ness and collegiality; in other words, to ignore the question of hierarchy. This way everybody can feel they can contribute, and you will get the best contribution out of that kind of atmosphere. To see people grow and develop is highly rewarding. Many people come to mind when I think about building those relationships over many years.

*20. What advice would you give to an aspiring entrepreneur? Could you suggest the three most important lessons you have learned with respect to starting and running a business?*

The best advice I could give an aspiring entrepreneur are the three C's: compare, contrast and combine. Analysis is foundational in anything you do, whether you talk about human relations or whether you talk about business models or an opportunity evaluation. A successful entrepreneur must be able to assess risk and that is best done after careful analysis.

## FAITH AND THE MARKETPLACE

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

Called by whom? By a higher being? I can't claim that. I cannot claim a calling or “inspirational motivation,” except that I needed to earn a living. As I told you before [See response to Question #2], I ended up at the end of my university career looking up at a bulletin board, saying now what am I going to do? I don't denigrate those people who had a calling. My wife had a clear calling to be a nurse. Since grade school that was her goal and she achieved it and I respect that. But for me I didn't feel it. I always felt good about what I was doing, and I felt safe, that God would guide me because He promised me He would. He has given me brains and lots of materials to work with, so I assume that He's going to guide me.

22. *Who, if anyone, affirmed that calling?*

The affirmation only came through doing it. It didn't come from an outside source. Maybe there was a little bit of affirmation when I was accepted to attend Harvard Business School.

The world of business is very selfish in a way. The free market system in many ways is amoral. The morality, however, comes from the people within, not from the business itself.

23. *What do you believe your gifts are as an entrepreneur?*

I think analysis is my gift as an entrepreneur. I analyze what's going on very easily and very quickly and I can comprehend what's going on pretty fast. Maybe this comes out of my mathematical background. I think I have a mathematical mind. To be analytical in what you're doing and to be able to think through questions and problems is essential for a business career.

24. *How did you integrate your business expertise with your Christian calling?*

I think you integrate these two by the basic principles of integrity; by trying to walk the talk and treating human relationships with respect. It is these kinds of basic principles you need to put in the very center

of your being. In other words, having an inner gyroscope about what is right and wrong, that I believe comes from inside. It doesn't say that only Christians have this knowledge, but Christians do have a good opportunity to discover the difference between right and wrong.

25. *How have you been involved in your church?*

N/A

26. *Have you been involved in your denomination and how?*

I have been active in the Mennonite Brethren Church at the local, provincial and national levels. My participation on various boards has enriched my appreciation for church institutions. I have benefited from the friendships and spiritual guidance.

27. *Have you been involved in para-church organizations and how?*

I have been involved in the support of Youth for Christ, Campus Crusade for Christ, and the Navigators. I have been involved mainly in the area of financial support for para-church organizations. I have served on various Boards, including Trinity Western University.

28. *What are some examples of how you have integrated Biblical principles into your business practices and thus acted differently than a non-Christian due to your Christian faith?*

I would warn against the idea that Christians in business, walk around as holy men who are better than non-Christians. I have met a lot of non-Christians who have very high principles, so I have a hard time even distinguishing between those two. To say that non-Christians act in a non-Christian way is misleading. Even in business deals I couldn't say that categorically that the moral standards of Christian businessmen are higher than the moral standards of non-Christians. I don't think I would distinguish it that way. I don't like the premise.

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

Not to let the excitement, work, success or failure of the entrepreneurial project overtake my being, to the extent where I lose interest in spiritual growth. Sometimes you can become so involved in success that all other matters receive little attention. The entrepreneurial interest can take over and displace your spiritual growth.

30. *How could the church in a general sense support you as an entrepreneur in pursuing your calling in business?*

I think the support comes in a way as to keep reminding me of the spiritual values, the importance of spiritual growth, and spirituality. The church is able to stimulate my interest in spiritual growth.

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

I think the challenge has been to maintain a balance between material success and spiritual values. Where materiality and success become everything, and where spiritual interest withers. The parable of Jesus about the seed being crowded out by the cares of the world demonstrates the tension.

32. *Who was most helpful in addressing these challenges?*

Pastors have been very helpful to me in this regard. My relationship at the Mennonite Brethren Biblical Seminary was also very helpful, through the individual relationships that I have built with professors and with students. They opened themselves up, and in return I could open myself to them. These were helpful experiences for me. Also such things as reading books for interest sake and doing things that you want, rather than those that you have to do. Friendships, even outside of the church, were very meaningful for me.

33. *Have you done business with other people in your church and how?*

I have done business with quite a few people in our church and have not really had any difficulty in doing so. When differences arise, which they usually do, the important thing is to resolve them and to do so on

the basis of scripture principles. I have also been involved with my brother-in-law and in various partnerships.

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

On the whole, I have had positive experiences in most of my business relationships.