

# FAMILY BUSINESS MATTERS

The Newsletter of the Family Business Center of Hawaii

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## MESSAGE FROM THE FACULTY DIRECTOR

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I am happy to be at the University of Hawai'i and to have the opportunity to serve as Faculty Director of the Family Business Center of Hawai'i. I wanted to use this opportunity to tell you a little about myself. Before coming to the University of Hawai'i, I spent six years at Hong Kong Polytechnic University and 16 years at the University of Washington. When Vance Roley, Dean of the Shidler College of Business, told me about the Family Business Center, I immediately wanted to get involved, and I was pleased to see that there was an immediate need for the Faculty Director's position to be filled. My research interests have been focused on entrepreneurship generally, but I have also done a substantial amount of research on business succession in family firms. Family businesses are extremely important to our state, and most entrepreneurs indi-

cate that family support and encouragement are driving forces in starting their businesses. The percentage of businesses that pass from one generation to the next is quite small, and one of my goals is to make that percentage bigger in Hawaii as well as to assist our existing family firms so that they remain prosperous and profitable.

I have served as Editor for an academic journal on entrepreneurship for the past eight years, and I also edit a book series on entrepreneurship. The current volume, which will come out in late 2007, deals with issues related to family businesses.

This is an interesting time for Hawai'i 's family businesses and an interesting time for the Shidler College of Business. I am fortunate to have an opportunity to be a part of both.



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## FAMILY RELATIONSHIPS AND THE FAMILY BUSINESS

"...high levels of family cohesion were not associated with staying or leaving the family firm."

It has generally been assumed that high levels of family cohesion are associated with wanting to work in the family firm. However, a recent study by Jean Lee, a professor at the China Europe International Business School in Shanghai, showed that high levels of family cohesion were not associated with staying or leaving the family firm. Her study was done

in Singapore, where there have been some well publicized disputes among succeeding generations at several well known firms including Scotts Holdings, Yeo Hiap Seng, and CK Tang. It is often taken for granted in the East and Southeast Asian region that the pull of family is stronger than in Western countries. Lee's study seem to indicate that family members stay

or leave the family firm for the same reasons most people stay in or leave their job. Organizational commitment and job satisfaction made it more likely that family members will stay with the family firm. The lesson is treat family members as well as you treat your employees and it is more likely they will stay around.

## SLEEP DEFICIT AFFECTS MANAGERIAL PERFORMANCE

In an article published in the October "Harvard Business Review," Dr. Charles A. Czisler discusses the downside effects of not getting sufficient sleep. He is especially harsh on the culture of many organizations that admires those who work excessive hours and are normally sleep deprived. Dr. Czisler points out that cutting sleep back to five or six hours for a few days has a direct influence on performance. In fact, he points out that going

without sleep for 24 hours, or going on 5 hours sleep per day for a week, has the same effect as being legally intoxicated. In the US over 1.3 million accidents and 8,000 deaths are attributed to lack of sleep. In several instances where firms scheduled workers for excessive amounts of work, they ended up having to face legal consequences associated with those workers having accidents. Dr. Czisler recognizes that we cannot always get enough

sleep. He recommends short naps, engaging in new tasks, exercise, standing, and exposure to bright light. This all helps to keep us alert. The good doctor even admits he does not always get enough sleep, but he makes a point to try to get enough.



"Encouraging a culture of sleepless machismo is worse than nonsensical; it is downright dangerous, and the antithesis of intelligent management."

## WOMEN'S BUSINESS ON THE RISE

The U.S. Census Bureau's latest Survey of Women-Owned Business Enterprises (SWOBE) reported that women owned 5,417,034 U.S. non-farm businesses in 1997.

For useful information on women-owned businesses, visit the web site of the US Department of Labor Women's Bureau at [www.dol.gov/wb/welcome.html](http://www.dol.gov/wb/welcome.html)

Another interesting trend is the amount of women enrolled in MBA programs. Up until the late 1950s, females were rare in business schools. The latest statistics show that women accounted for over 40% of MBA students by 2000 and more than 50% in major metropolitan areas.

The current percentages are probably higher,

which means women-owned businesses should continue to increase. Recent research showed that women started over 50% of new businesses in Canada. We used to see a lot of research on fathers leaving businesses to daughters, the next trend may be mothers leaving businesses to sons.

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## MEMBERS ARE OUR MOST IMPORTANT ASSET

Sandy Fong and Marvin Fong have agreed to spearhead our membership efforts. If you would like to come to an event, be placed on our mailing list, or join the Family Business Center of Hawai'i, please contact John Butler at [jebutler@hawaii.edu](mailto:jebutler@hawaii.edu), or the Family Business Center at [fbch@hawaii.edu](mailto:fbch@hawaii.edu). We are currently in the process of developing a program of

activities for the coming year, which includes speakers on a number of topics of interest to family businesses. The Family Business Center can also serve as a resource for information about family business problems and research in this area. Also, we are always looking to write interesting cases on family business issues for use in

classes at the Shidler College of Business. In you have encountered an interesting business issue and would be willing to share it with our students, please contact John Butler. Case studies can be written without revealing the business identity.

## MIKE GARVEY OF SALTCHUK PROVIDES USEFUL ADVICE

On March 9, 2006, Mike Garvey, Chairman of Saltchuk Resources, Inc., spoke to Family Business Center members and guests during a lunch seminar at the Pacific Club. Clearly, Saltchuk Resources has been successful in a financial sense, yet founder Mike Garvey talked about the success of his family rather than that of the firm. He made a number of suggestions about how to ensure that the family and firm both succeed, and pointed out that these should be addressed early in the process. Issues related to family members working at the firm, distribution of the firm's earnings to both working and non-working family members, succession processes and decisions, governance, and compensation issues related to family members should be addressed before they become problems. If the procedures are set in advance then all family members will be aware of what these are, and this makes conflict less likely. He also suggested the use of a family business counselor, because such individuals force family members to talk about issues that they might prefer to avoid. Yes, outsiders with this type

of consulting experience can be extremely useful.

This firm has one very interesting concept that could be adopted by even small family businesses. Four times each year they have a family meeting, where issues related to the business are discussed. This meeting is not a substitute for, or competition with the Board of Directors meeting. It is intended to focus on the issues that relate to the intersection of the family and the business. He even invites grandchildren to attend, once they reach the age of ten. The family meeting was where they came up with a solution on how to handle family member compensation. They agreed that two outside, non-family member directors would form a compensation committee, and these would be the individuals who would recommend the level of family member compensation to the board. The board of directors can either accept or reject their recommendation, but they cannot change it. While this may not be a good solution for all firms, I think the approach used to come to grips with these difficult problems is useful for most firms.

Another issue that often



Mike Garvey of Saltchuk Resources, Inc., with Shidler College of Business Dean Vance Roley at a recent Family Business Center of Hawai'i Lunch Seminar.

causes problems for family firms is the degree to which family members are employed in the firm. This firm uses three simple rules. First, the family member must be qualified for the position. Second, a new position will not be created just so a family member has employment in the firm. Finally, no person will ever be terminated to make a position available for a family member. Garvey pointed out that family members have to meet the same levels of performance expected of non-family members. Since the rules are set in advance, it makes it much easier to handle the problem of family member employment. Obviously, family mem-

bers not directly employed by the firm do enjoy some of the financial benefits, in the form of ownership dividends, and eventually inheritance. Disagreements between family members who work for the firm and those who do not tend to be very common, and the approach used by this firm has been effective in avoiding such problems.

I really liked the speaker's final point. He said it did not make much sense to build a successful business at the cost of an unsuccessful family. A successful family is the most important thing, and addressing family business issues early, before they become a dysfunctional issue, is one way to ensure that both family and family business are successful.

## FAMILY BUSINESS JOKE

A very successful businessman had a meeting with his new son-in-law. "I love my daughter, and now I welcome you into the family," said the man. "To show you how much we care for you, I'm making you a 50-50 partner in my business. All you have to do is go to the factory every day and learn the operations."

The son-in-law interrupted, "I hate factories. I can't stand the noise." "I see," replied the father-in-law. "Well, then you'll work in the office and take charge of some of the operations." "I hate office work," said the son-in-law. "I can't stand being stuck behind a desk all day."

"Wait a minute," said the father-in-law. "I just made you half-owner of a moneymaking organization, but you don't like factories and won't work in an office. What am I going to do with you?"

"Easy," said the young man. "Buy me out."

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

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# FAMILY BUSINESS CENTER OF HAWAI'I

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# Equipping, educating and celebrating families in business

(Mission of the Family Business Center of Hawai'i)

The Family Business Center of Hawai'i is a nonprofit, member-based forum, housed within the Shidler College of Business at the University of Hawaii at Manoa. Administrative support for the FBCH is provided by the Pacific Asian Center for Entrepreneurship and E-Business.

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## OLDEST FAMILY BUSINESSES

William O'Hara has written a book entitled "Centuries of Success," which provides brief histories of the world's oldest businesses. While none of the ten oldest are in the United States, Zildjian Cymbal Co. or Norwell, Mass. was founded in 1623 and is now managed by the 14th generation. The firm, which manufactures cymbals, was founded in Istanbul and moved to the U.S. in 1909. A visit to their web site at [www.zildjian.com](http://www.zildjian.com) will allow you to sample some of the music produced by their cymbals.

## SHIDLER COLLEGE OF BUSINESS NEWS

### Toy Inventor Richard Levy Speaks to Shidler Business Students

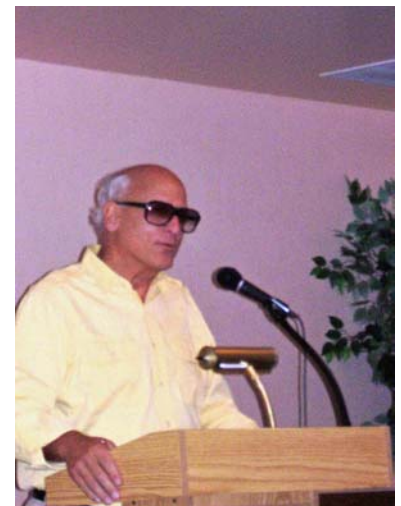
On October 19th, Richard C. Levy an inventor of toys, games and concepts, whose licensed products have generated more than \$1 billion in world wide sales visited the Shidler College of Business and told students how they could go about commercializing their ideas by licensing. Levy provided students with practical advice on how to build relationships, test out their ideas, and to effectively negotiate with manufacturers. Levy also stressed to the students that they should never skimp on get-

ting the best professional advise available just to save a little money. He gave the example of the person who just won the lottery. He said "you would not go out and buy a cheap tax guide. You would contact the best tax attorney you could get." He pointed out the same is true when it comes to patent attorneys.

You wouldn't think an inventor, who licenses his inventions to others would be a family business, but Levy gets both his wife and daugh-

ter involved in the process. His daughter actually developed her own game, which Levy got a manufacturer to license. His wife has also helped his with ideas, and even supplied the name for one of his toys.

Levy encouraged the students at the talk to be creative. He pointed out that everybody has creative capability, but some never use it. He said his mother use to tell him you will never miss the shots you never take.



Richard C. Levy  
Inventor, Producer, Author  
Speaking to Students from  
Shidler College of Business