

FAMILY BUSINESS MATTERS

The Newsletter of the Family Business Center of Hawai'i

WINTER 2010

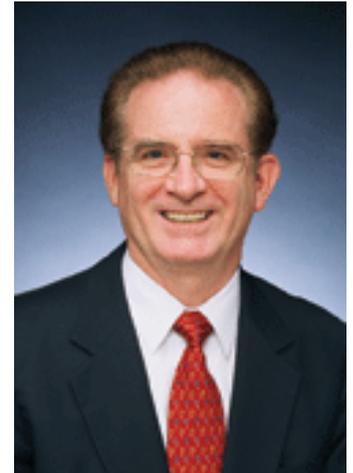
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Interest in family business issues is increasing. There is an academic journal, "The Family Business Review," that is devoted to publishing research about family businesses. In addition, many main line entrepreneurship journals, which used to ignore family business research are now devoting entire special issues to the subject. Most of the articles begin with a statement such as "over 95 percent of the business in the country are family owned businesses," and the statement seems to hold irrespective of the country about which they are talking.

I was recently contacted by a former student, whom I had taught in Hong Kong. He is now finishing up a doctoral degree at Texas A&M University. He wanted me to write a reference

letter for a position at Sun Yat-Sen University in Guangzhou, China. After writing the letter I received a response from a professor at Sun Yat Sen telling me that their university had just opened the first Family Business Center in China. It appears that even China realizes that economic growth and stability may well rest more on locally owned family businesses than on large state owned enterprises or large joint ventures, many of which have been problematic in terms of both their operations and profitability.

Family business centers are also beginning to appear in European countries and their importance now has international recognition in terms of its importance to their economies and future economic growth.



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Upcoming Family Business Center Events for Oahu and Maui Chapters

Russell Hata, chairman of the board, president and CEO of Y. Hata and Co. Limited, will speak to the Oahu chapter. The meeting will be held from 11:30 a.m. on March 9 at the Pacific Club. Y. Hata is a family owned firm that was founded in 1903 and is Hawai'i's oldest food distribution firm and a third generation family business. Russell spoke to the Center eight years ago and will provide an update on his family business.

Kathleen Bryan, vice president and manager of the financial planning team in Bank of

Hawaii's private client service division will speak to the Maui chapter on financial and succession planning. The Maui meeting will be held from 11:30 a.m. on March 24 at the King Kamehameha Golf Club. .

On May 18, **Jon Bridge**, vice chairman and general counsel of Ben Bridge Jeweler, will speak to the Oahu chapter. The meeting will be held from 11:30 a.m. at the Pacific Club. On May 19, Jon will speak to the Maui chapter at King Kamehameha Golf Club in Wailuku. Ben Bridge Jeweler is a

family operated business since 1912. Today, Ben's sons and grandsons operate 70 retail stores in 12 states. Jon is the grandson of Ben Bridge. In May of 2000, Ben Bridge Jeweler merged with Berkshire Hathaway Inc. Here is a picture of the Ben Bridge Store in downtown Seattle in 1960.



PAUL KOSASA AND HAWAI'I COMMUNITY FOUNDATION'S LORRAINE TAMARIBUCHI DISCUSS FAMILY PHILANTHROPY AT JANUARY MEETING

Lorraine Tamaribuchi, director of family philanthropy at the Hawai'i Community Foundation discussed the four types of family wealth (human, intellectual, financial and social) and their link to family philanthropy at the January FBCH meeting.

She said, there is an increased tendency for families to discuss giving decisions together and the tremendous increase in family wealth has made discussing these issues more important. She also invited Paul Kosasa, president and CEO of ABC Stores, and CEO of the Kosasa Family Foundation, to join her in discussing how his family manages the philanthropy process.

Paul said that his family started the Kosasa Family

Foundation in 1994 and have maintained the tradition of making decisions over a meal of Korean takeout from the same restaurant over the entire period.

He pointed out that "giving money is difficult, especially when it is required," because you want to build consensus among family members.

Paul shared that meetings take four to five hours. He said, although the fourth generation of children are present, they are not yet active participants in the process.

He said that their foundation gets proposals for funding and each proposal is carefully read and evaluated. This accounts for the amount of time it takes if you want your philanthropy efforts to be effective.



LEFT TO RIGHT: MYLES SHIBATA, VICE PRESIDENT OF PHILANTHROPIC SERVICES AT HAWAII COMMUNITY FOUNDATION; PAUL KOSASA, PRESIDENT AND CEO OF ABC STORES, AND CEO OF THE KOSASA FAMILY FOUNDATION; LORRAINE TAMARIBUCHI, DIRECTOR OF FAMILY PHILANTHROPY AT HAWAI'I COMMUNITY FOUNDATION; WITH JOHN BUTLER, FBCH FACULTY DIRECTOR.

"BORN RICH" TAKES A SOCIOLOGICAL VIEW AT SOME OF THE PROBLEMS ASSOCIATED WITH WEALTH BY A PERSON WHO SHOULD KNOW

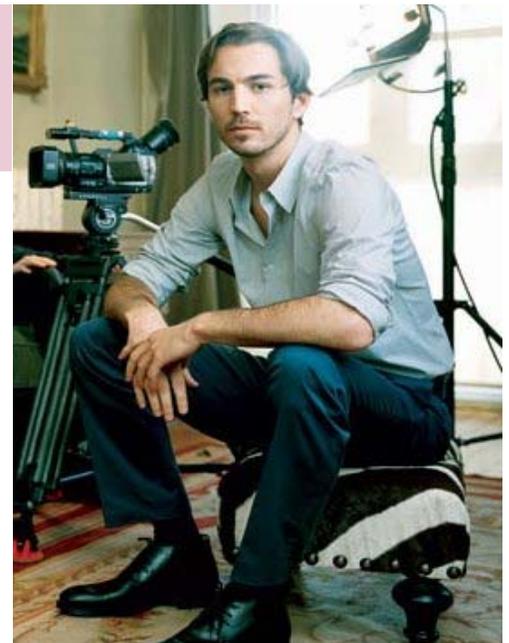
One of the outcomes of building a successful family business is that you become rich. The fortune is made by the first generation, but this means that subsequent generations are born rich, the title of a documentary film made by Johnson & Johnson heir Jamie Johnson, when he was 20-years-old.

The film includes interviews with young people associated with the Vanderbilt, Newhouse, Trump, Weil, Franchetti, von Zeitschel and Hartford families. It examines when they found out they were rich and the implications for how they behave and what they feel they have to do to lead purposeful lives. One of the participants actually sued Johnson to stop the film after it had been made. It presents a broad range of re-

sponses that will elicit different responses depending on the person being interviewed. Although the people in the documentary come from extremely wealthy families the issues that they discuss are relevant to any family leaving substantial wealth to the next generation.

It also touches on the court suits when Johnson's grandfather died after divorcing his second wife and marrying the upstairs maid. It was played out on the front pages of the country's major newspapers.

The film also highlights the issue of discussing wealth, which his interview with his own father shows is something that many people do not want to discuss.



JAMIE JOHNSON, HEIR TO THE JOHNSON & JOHNSON FORTUNE AND DOCUMENTARY FILM MAKER OF THE MOVIE "BORN RICH," WHICH WAS AN OFFICIAL SUNDANCE FILM FESTIVAL SELECTION IN 2003.

CHUCK KELLEY SPEAKS TO MAUI CHAPTER OF FAMILY BUSINESS CENTER

Chuck Kelley, MD, vice president of KF development, was the speaker at the January 19, Maui chapter meeting. Chuck is also a member of the FBC advisory board. He emphasized the importance of family history in understanding the success and failures of family firms. Chuck noted that it was his grandfather Roy Kelley's failing eyesight that resulted in Roy moving from architecture to hotels. He outlined how Roy and Estelle Kelley built their family business.

Roy's son Richard, also a medical doctor, joined the business to help his father. Chuck attributed many of the managerial changes and moderniza-

tion to his father entering the business. This is clearly a reoccurring story with many family businesses, where each new generation puts their own mark on the enterprise.

Chuck also left his medical practice to join the business and he shared some of the processes that the family uses to try to keep members informed and involved. The family now has adult fourth generation members and its initial fifth generation member. It has also expanded far beyond Hawai'i with hotels in Australia, Guam, Fiji and Thailand. If you missed the presentation there is an excellent book, "Kelleys of the Outrigger" that provides a good view of the family's history.



CHUCK KELLEY SPEAKS AT THE JANUARY 19 MEETING OF THE MAUI CHAPTER OF THE FAMILY BUSINESS CENTER OF HAWAII, HELD AT THE KING KAMEHAMEHA GOLF CLUB.

FAMILY BUSINESS A BIG HIT ON PRIME TIME TV

You might not think that a show about a Las Vegas pawn shop could become a television hit, much less on the history channel. However, it appears to be tapping the same audience that faithfully watches "Antiques Roadshow" on public television. While the episodes revolve around the items individuals bring in to sell, the real key to the show's success is the dynamics between the three generations of the Harrison family. In one episode father Rick scolds his son Corey for purchasing an item for more than its worth. Corey then tells the viewers the problems associated with working in a family business and says "I'll never know more than my father about this business." Of course, we know he eventually will, but from his current position he envisions that it will be impossible to catch up and accumulate the experience of his father.

On another show, first generation Richard misses seeing the mint mark on a Carson City silver dollar and marks it for sale with a bargain price. His son catches the error and gets into a big "huff" about dad's eyesight. This results in Richard heading off to the eye doctor and getting a pair of glasses. Still convinced that the "old man" cannot see Rick devises a test, which the old man easily passes. On another occasion, Corey passes a similar test related to determining if an antique is genuine. Although the intention of the show is probably not to facilitate family functioning, it does highlight the fact that both the older and younger generations can make very unique contributions to the firm. Rick is the star of both the show and the business, but it is obvious that his father and son are what make the business, show and family a real success.

The show is not a substitute for a professional family or family business consultant, but it is a lot cheaper and lets you get in on the fun side of analyzing somebody else's family business. It also raises serious issues in a fun way so that all members of the family can join in both the fun and the discussion.



THE HIT TELEVISION SHOW "PAWN STARS" FEATURES THREE GENERATIONS OF THE HARRISON FAMILY, COREY (3RD G), RICK (2ND G) AND RICHARD (1ST G).

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Equipping, educating and celebrating families in business

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

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The Family Business Center of Hawai'i is a nonprofit, member-based forum, housed within the Shidler College of Business at the University of Hawai'i at Mānoa.

Administrative support for the FBCH is provided by the Pacific Asian Center for Entrepreneurship and E-Business.

NEW MEMBER RECRUITMENT INCENTIVE PROGRAM

Guy Kamitaki, membership committee chair, has initiated a special program to help attract new members to the Family Business Center of Hawai'i. The incentive is to help reach our goal for this year to recruit 25 new Oahu members and five new Maui members. The objective is to have a vibrant Family Business Center membership with 60 active family businesses.

The incentive is for any current member that signs up a new Family Business Center member. From February 1 to August 30 of this year, if you bring in a new dues paying member, you will receive a \$250 credit on your 2010-2011 member dues. Sign up six new members and you will pay no dues for 2010-2011!

This will be for any new member introduced to our group after February 1. It does not include retroactive membership or membership renewals. One of the best ways to recruit a new member is to invite them to one of our meetings. Almost all of our current members joined as the result of attending a meeting as a guest. If you know somebody who would be a potential member, consider inviting them to our March or May meeting. All you have to do is notify Krystal Lee at fbch@hawaii.edu or (808) 956-5092.

THE ECONOMY HITS ANOTHER SMALL FAMILY BUSINESS



La Bamba, a family-run Mexican restaurant in Kapahulu, closed after 22 years of business on Jan. 27, 2010. Owner David Martinez came to Hawai'i from Mexico City in 1987 and opened the restaurant. His wife, Virginia did the cooking and his daughter and son helped with the restaurant's operation. David was so committed to his customers that he never took a vacation in the 22 years that the restaurant was in operation. Like many small businesses the recession cut deeply into their business because eating out is one of the first things people stop in a recession. The good news is that Martinez is not giving up and after taking some time off will investigate the possibility of opening a restaurant in a new location. One of the downsides of La Bamba was a lack of parking and it may be that a more "parking friendly" location would lead to a second version of this popular family-run restaurant.