

# FAMILY BUSINESS MATTERS

The Newsletter of the Family Business Center of Hawai'i

SUMMER 2009

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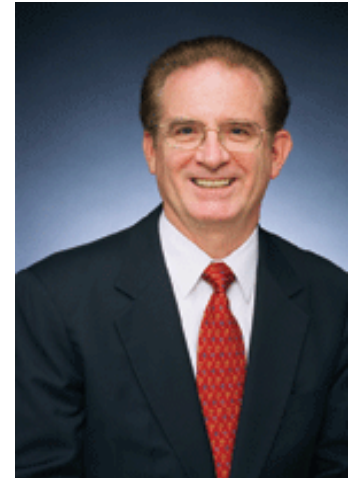
This May, FBCH members were treated to a tour of the renovated Royal Hawaiian Hotel. The old wing was completely renovated while the newer wing received a substantial facelift. This was our second annual social event and it was well attended.

We have also been extremely lucky to have Ken Gilbert secure the services of Craig Aronoff to lead this year's FBCH Retreat. Ken has also been working hard to coordinate the program for the inaugural meeting of the FBCH Maui chapter. Gail Markovich has also been instrumental in getting this project off the ground and in getting the Bank of Hawaii to provide ongoing support for the effort. The fact that we can even think about establish-

ing a chapter in Maui shows that there is a growing interest in family business and in the value to be gained from family businesses interacting with each other and sharing information.

If you know of any likely candidates for membership in the Maui Chapter, please let me know so that we can contact them. Our initial meeting is scheduled for June 23rd; it will be a lunch meeting.

I also note that this is the end of another academic year and it marks my fourth year as faculty director. I notice lots of new and younger faces at our meetings. I think this bodes well for the continued health of the FBCH, our programs, and the community of family businesses in Hawai'i.



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## FAMILY SOLD FAMILY BUSINESS BUT DID NOT FORGET THE EMPLOYEES

The dream of many business owners is to sell the business. Nathan Spungan opened Archer Bearing Company in Illinois in 1941. Later he changed the name to PEER Bearing. In Sept. 2008 the third generation of the family sold PEER to SKF AB, a large Swedish bearing company. While details were not provided on the purchase price, we know it was more than \$6.6 million because that is the amount that the owners provided to

230 current employees as bonuses. That is an average bonus of \$28,695. The grandson of the founder explained the family's decision in an Associated Press article by simply saying that "my grandfather was always very charitable." The current family members signed a card (see picture) thanking the employees. PEER sounds like a place where everyone was part of the PEER family. In fact, their current web page still reflects some of

these family values. "One key factor that puts us *one step ahead of the best* is the PEER family" and everyone, customers, employees and managers, is part of that family. This is one of the ongoing advantages of purchasing a family business. If a "family" business culture is present, the buyer gets an additional bonus and has an ongoing incentive to preserve the family business culture.



## CRAIG ARONOFF TO LEAD 2009 FBCH RETREAT AT OUTRIGGER REEF

Craig Aronoff, co-founder and principal of The Family Business Consulting Group, Inc., and a leading consultant, speaker, writer, and educator in the family business field, will lead this year's Family Business Center of Hawai'i retreat on September 11th and 12th at the Outrigger Reef Hotel.

As the founder of the Cox Family Enterprise Center and current professor emeritus at Kennesaw State University in Marietta, GA, Aronoff invented and implemented the membership-based, professional-service-provider sponsored Family Business Forum, which has served as a model of family business education for some 150 universities worldwide. Until his retirement in January 2005, Aronoff held the Dinos

Eminent Scholar Distinguished Chair of Private Enterprise and was a professor of management in Kennesaw State's Coles College of Business.

As a consultant, Aronoff has worked with hundreds of family businesses in the U.S. and abroad on issues including generational transitions, developing business and family governance processes and structures, finding and articulating family missions and values, facilitating decision making and conflict resolution, managerial development, family compensation and dividend policies, family meetings and more. As an inspiring, informative and entertaining speaker on a variety of family business topics, he speaks regularly to trade and professional groups and

has lectured at over 100 universities.

With co-author John L. Ward, Aronoff is perhaps the most prolific writer in the family business field. He has authored, co-authored or been editor of more than thirty books, including the 22-volume Family Business Leadership Series and is the founding editor of The Family Business Advisor.

Listed in Who's Who and widely acknowledged for his work in the area of family business, Aronoff has received, among other honors: the Family Firm Institute's Beckhard Award for Outstanding Contributions to Family Business Practice, The Freedom Foundation's Leavey Award for Excellence in Private Enterprise Education and the National Federation of Inde-

pendent Business Foundation's Outstanding Educator Award. The Aronoff Professorship of Family Business at Kennesaw State University was named in his honor.

Aronoff grew up in a family business. He received his bachelor's degree from Northwestern University, his Masters from the University of Pennsylvania and his Doctorate from the University of Texas at Austin.



## THE PULL OF THE FAMILY BUSINESS



Sir John Betjeman was a renowned poet in the UK and was elevated to Poet Laureate in the early 1970. He also became a well known television producer. However, one of his most famous works was a blank verse autobiography entitled "Summoned by Bells." One section of it relates to his father's efforts to introduce him to the family firm, "the Works." It reveals that he still recognized the pull.

....Most of all  
I think my father loved me when we went  
In early-morning pipe-smoke on the tram  
Down to the Angel, visiting the Works,  
'fourth generations—yes, this is the boy.'  
  
'Well now, my boy, I want your solemn word  
To carry on the firm when I am gone:  
Fourth generation John—they'll look to you.'  
I was a poet. That was why I failed  
My faith in this chimera brought an end  
To all my father's hopes. In later years,  
now old and ill, he asked me once again  
To carry on the firm, I still refused  
A now when I behold, fresh-published, new,  
A further volume of my verse, I see  
His kind eyes look woundedly at mine,  
I see his workmen seeking other jobs,  
And that red granite obelisk that marks  
The family grave in Highgate Cemetery  
Points an accusing finger to the sky.

## ESTATE PLANNING AND TAXES: THE SUBJECT OF JANUARY'S MEETING

Randall M. L. Yee, an attorney with offices on both Oahu and Maui, and Robert Poiani, Vice President and a senior trust officer at Bank of Hawaii, were the luncheon speakers at the January meeting of the Family Business Center of Hawai'i, which was held at the Plaza Club. Both gentlemen pointed out that it is never too early to think about passing on wealth and becoming familiar with appropriate ways to minimize

taxes. Factors such as the founders' age (or that of the current generation of managers), owners salary, number and ages of children in the business and their salaries, the number of children not in the business, and the number of non-family managers and employees are all relevant with respect to wealth management and estate planning. Issues such as annual exclusions on gifts (\$10,000) and lifetime

exemptions on gifts (\$1 million) are good vehicles for passing on wealth. Both speakers also discussed trusts, trustees and the benefits and pitfalls to be considered when considering the use of a trust. It was clear that one needs a professional to assist in the process but being aware of the right questions to ask can be as important as picking the right professional.



## FBCH PHOTO GALLERY



## JAMES AND KIMO HAYNES ADDRESS MAY 19<sup>TH</sup> MEETING



Father James Haynes and son Kimo Haynes were the speakers at the May meeting of the FBCH. Jim talked about the process that led to him founding Maui Petroleum, Hawaii Petroleum and Minit Stop Markets. Then, both Jim and

Kimo jointly discussed the process through which Kimo joined the firm and eventually succeeded his father as president in all three businesses. They then went on to discuss the decision to sell the businesses and the fact that they specifically wanted to find a buyer who would continue to operate the firm and preserve the current employees in their positions and with their benefits. Interestingly, both father and son are trained accountants,

with dad Jim earning his degree from the Shidler College of Business. Both felt that their similar focus on accounting and finance issues helped to put them on the same page, while Jim focused on the external side of the business and Kimo concentrated on internal operational issues. They both pointed out that the more family members involved, the more complex the interpersonal dynamics. This has certainly been seen in the demise of

some family businesses such as those involving the Mondavi and Bingham families where the relationships expanded to multiple siblings and things eventually imploded. In answer to a question, Jim indicated that he is in the process of building another family business related to real estate. He also indicated that his many charitable activities keep him extremely busy.



# FAMILY BUSINESS CENTER OF HAWAII

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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.

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## TANABE'S SUPERETTE: SAME NAME, NEW FAMILY

It is often a little sad when you hear of the closure of a business that has been operating for a long time, especially if it is a family business. Tanabe's Superette opened in 1917 and was generally viewed as one of the few surviving Mom & Pop convenience stores in Hawai'i. Tanabe's Superette was known for the many different kinds of musubi, sushi, lau lau and kalua pork that it sold. Their fried chicken skins were especially popular with construction workers and still sell out every day.

The big difference is that the Tanabe family no longer owns or operates the store. Several months ago a new owner, So-Suk Ko, took over. The old favorites are still available and employees from the Tanabe era are still doing the cooking. However,



Ms. Ko has added some Korean items to the menu. It is quite an accomplishment to keep a business in one family for over 90 years and it will be interesting to see if the Ko family can match this feat. Passing on a family firm from one family to another family is a seldom explored topic but is clearly one way to preserve the business as a family firm.

## KEEPING AN EYE ON LEGISLATION THAT AFFECTS BUSINESS



Sherry Menor-McNamara, Vice President of Business Advocacy & Government Affairs for the Chamber of Commerce of Hawai'i, was the speaker at the FBCH's March meeting.

Over 3,000 bills are normally proposed in the regular session of the Hawai'i legislature. Tracking what is in those bills, how they affect business, and

their progress through both houses is a major task for the Chamber of Commerce of Hawai'i.

Ms. Menor-McNamara discussed the flow of bills and how her organization works to provide expert testimony to members of the House and Senate in order to help the legislators understand the sys-

tematic, and often unseen, effects that legislation has on business. Generally, only a few hundred bills make it through the process so it is extremely important to have an advocate to ensure that those that have unintended, and in some cases intended, negative effects on the growth and success of local businesses are identified and discussed.