

FAMILY BUSINESS MATTERS

The Newsletter of the Family Business Center of Hawai'i

WINTER 2017

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This year will mark our tenth annual Family Business Center of Hawai'i annual retreat. I believe it is an extremely valuable experience in terms of what we learn from the presenters. However, even more important is what we learn from each other. One of the major premises of our center, as opposed to other family business centers, is that the largest and most valuable flow of knowledge occurs between members. The problems many members face today have been faced by other members in the past and finding out the solutions they attempted and how well they worked is a primary benefit of membership in the FBCH.

My advice is to ask lots of questions of fellow members. Much of the advice that people are willing to share face-to-face is not the type of insights one can find in books about how to do "this or that" in a family business book or guide. Lunch time and break time is a break from the program but not a break

from the retreat. This is a good time to raise points in an informal setting that were raised in the formal program. Most of what we know about optimal behavior in business settings does not universally apply. The factors that affect one firm a particular way may have a different impact on your firm. Firms are different and so are families and if there is one thing that the various speakers we have heard over the past decade shows is that even the approaches taken by our retreat leaders differ.

Making universal statements about what works or does not work requires a careful consideration of the host of variables that differ from firm to firm. However, the retreat offers members a chance to assess how those factors may

impact their firm and how that impact may differ from others.

Finally, bring the next generation. They will experience things differently and one of the things we can predict correctly is that the future will be different. An awareness of the fact that change will come and that what has been effective in the past gives one a starting point and a perspective for forming effective approaches to effectively competing as a business and succeeding as a family in the future.

It is also part of the mission of the FBCH, which is *equipping, educating and celebrating families in business.*



John Butler
Faculty Director
Family Business Center of

SIGN UP FOR THE ANNUAL RETREAT Nov. 17-18

Steve Ueda, President and CEO of Suisan Company Ltd. Speaks in Maui

Steve's presentation was entitled "My Journey to CEO" and he discussed his new experience as CEO of Suisan, the big island's premier broad line food distributor. For a great video that outlines the history of Suisan see: <http://www.suisan.com/history-of-suisan-co-ltd/>

Steve has a bachelor degree in engineering (UH-Mānoa) and a Masters degree in engineering (MIT). This is supplemented with an MBA and work experience at firms such as the Ford Motor Company. Ten years ago Steve returned to Hawai'i Island to work in the family firm, and was appointed President and CEO of this 110 year firm in early 2017. His grandfather, Rex Matsuno, use to introduce Steve to his colleagues as "This is my grandson and someday he is going to run this company" so he appeared to be a good forecaster.

Steve pointed out that being CEO is great for the first few months because that is when the congratulations arrive. However, like any honeymoon it does not last forever. Running the company by the "book" is easier said than done. Some of the knowledge at Suisan is embedded in the employees, such as a large "drop size" yields more profits. Suisan employees have developed this relationship as a form of tacit knowledge over the years. While employees have lots of tacit knowledge, as we all know they also can make great demands on a CEO's time and energy.

Research shows that there are enormous demands on the time of CEOs. Since most people have families this means that personal problems also enter into our business life. In Steve's case his father died early into his term as CEO, which required him to make several trips to Japan where his father was living and operating a business. However, as he pointed out the demands on a CEO don't stop and in any business new issues continuously arrive that must be addressed. As the economy improves, most local firms have benefited but employee



Steve Ueda, President and CEO of Suisan Company Ltd. Speaks to the Maui Chapter on Friday, October 20, 2017

turnover has also increased and Steve pointed out that the same thing happened at the Suisan warehouse. Overtime and everyone "pitching in" are great in the short term but eventually employees get weary. After getting some feedback from an employee survey Steve decided to revisit some of the ideas that his great grandfather Kamezo Matsuno and his grandfather Rex Matsuno used to guide the firm.

His great grandfather use to say "man must have hope, for hope will help a man rise in the world." His grandfather was famous for his 7AM morning meetings where the "story of hope" was stressed. Steve said that the real mission at Suisan is "to provide opportunities to make Hawai'i Island a great place to live, work and play, where the core values of the firm are kindness and dedication. This is one of the reasons Suisan tries to promote internally and focus on its people

He stressed that he tries to communicate to everyone in the Suisan Ohana that if you take care of Suisan, then Suisan can take care of you. It was great that Steve could share his experiences as CEO with our Maui members.

CHUCK KELLEY SPEAKS TO BIG ISLAND CHAPTER IN HILO

Chuck Kelley M.D., President and Chairman of the Board of Seaside Ohana Investments, spoke about “Family Governance Policies and Agreements” at the Family Business Center’s Big Island meeting on Hilo on Thursday, October 19, 2017. Thirty members attended, which is a record for a Hilo meeting.

Chuck gave a brief history of the Kelley family beginning with Grandpa Roy and Grandma Estelle Kelley. He outlined their building of the first Outrigger Hotel, the Islander Hotel on Seaside Avenue, and the subsequent hotels that they built and managed. His father, Richard’s involvement, and the subsequent building of additional hotels as well as the involvement of his brother-in-law, David Carey, and the company’s subsequent expansion was discussed.

He also discussed the divestiture of hotel operations earlier this year and the subsequent transition of the company into a financial investment enterprise. This came as a real surprise to those outside the family. However, Seaside Ohana Investments, which is still owned by the Kelley family, means that they still remain a family firm.

Chuck explained that a family business such as theirs should have two governing bodies. The first being a board of directors that oversee the operating side of the business. This board is guided by legal agreements such as the company’s articles of incorporation and bylaws. In addition, the board is also charged with the company’s Mission and Vision, and also abides by shareholder agreements and family employment policies.

The other governing body is a family council, which oversees the family that owns the business. The family council typically develops policies and agreements that it feels necessary. Chuck provided a list of the policies and agreements that the Kelley family has in place, that helps them manage their family. He emphasized that each family is different so the details of each policy or agreement should be up to each family to decide.

Chuck also noted that while the family council has no legal authority over the operations over the business, usually company boards look to the family council for their desires for the



business. The Kelley’s refer to their family council, as their Advisory Board.

When asked which policies or agreements were the most difficult to establish, he replied that deciding who should be a member of the family council was the most difficult. In the end, the Kelley family decided that it desired to be inclusive and invited all family members to join. However, there were certain expectations and requirements established by the policies and agreements made, and violation of them could lead to a family member being removed from the Advisory Board.

In drafting policies and agreements, Chuck noted that they would sometimes rely upon outside consultants to provide them with a draft for consideration. What was most valuable was the subsequent discussion amongst family members as they reviewed and considered the draft.

It sounds like we could also learn a great deal from the way the Kelley family manages both their family and their business.

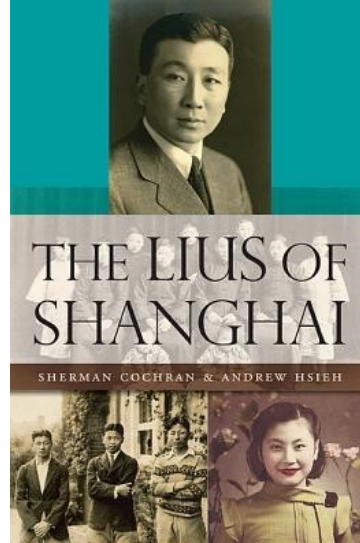
Special thanks to Mike Miyahara for both the notes and pictures of this meeting in Hilo.

AN INSIDE LOOK AT A PROMINENT CHINESE FAMILY FIRM

The Liu family from Shanghai were one of the most prominent business families in China from the early 1900s to the early years of the People's Republic of China in the early 1950s. Hongsheng Liu, the father of nine sons and three daughters outwardly appeared to manage his family and firms in a patriarchal fashion, where he dictated what he wanted his wife and children to do and they amicably followed. Fortunately, the Shanghai Academy of Social Sciences kept an archive of over 2,000 letters that these family members wrote to each other, which reveals a different story.

"The Lius of Shanghai" uses these letters to tell the story of the family and the operation of their family firms. It also shows, through the letters, that many of the decisions reached, especially as they related to the children were the results of subtle negotiations between the children and their father and mother. Each of the boys was sent to Japan, England or the United States where they were suppose to study specific subjects related to the needs of the various family businesses (cement, matches, finance etc.) then return to Shanghai and join one of the family firms. They were admonished not to marry any Westerners, one of the few things they seemed to follow. However, the letters show that the father had to constantly concede to the sons with respect to the direction of their education.

The Lius believed in "not putting your eggs in one basket," which is one of the reasons that they had a number of diverse businesses, with different sons working in different businesses. With the beginning of the Sino-Japanese War, this required some members running businesses in Japanese controlled areas while others operated businesses in Chinese controlled areas, with an additional outpost in Hong Kong.



Cochran, Sherman and Hsieh, Andrew (2013). *The Lius of Shanghai*. Cambridge, MA: Harvard University Press. \$31.99 although it is available used at much lower prices at Amazon.

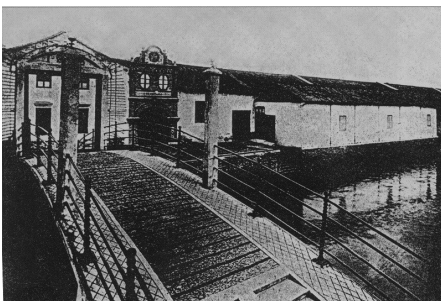
Eventually, the father and two sons began operating businesses in the Nationalist controlled area and operated out of Chongqing and one son even joined the Communist Party and spent considerable time in Yan'an, where he met and interacted with Zhou Enlai and Mao Zedong.

After the Communist takeover of China the Lius, or at least most of them returned to Shanghai where they continued to operate their businesses until they were eventually nationalized.

The impact of the history of China during this period makes running a family business difficult. However, the real interesting parts of the book relates to the negotiations between parents and children about education, marriage, work location, and political positions. It also covers some marital infidelity and how Suzhen Ye, Hongsheng Liu's wife and the children maneuver to save her marriage, and to maintain family cohesiveness and unity.

This book gives an extraordinary look into a Chinese family firm via letters that they probably never expected to be made public. It also provides a view inside a family business that is seldom available.

It is definitely worth reading because it touches upon a number of issues that most families and most family firms face.



The Lius Match Factory in Shanghai 1935

FAMILY BUSINESS CENTER OAHU PHOTO GALLERY



LOSING A FRIEND AT KAHILI GOLF CLUB



Mark John Connolly. He passed away September 20, 2017. He was senior banquet captain at the Kalihi Country Club.

There are a large number of things that have to occur to make a FBCH program successful. We need a speaker, an audience and of course we need a venue that can accommodate us. Most important of all is the people at these venues who make it possible for our events to be a success. For the past eight years we have been meeting at either the King Kamehameha Golf Club or the Kahili Golf Club and one thing has been constant. We could count on John Connolly providing us a cheerful welcome and not only taking care of our lunch menu but also solving any of our technical problems associated with computers, sound systems and projection problems.

He always seemed happy to see us arrive and over the years provided each of us with a warm welcome and accommodated our needs. He seemed genuinely happy to see us arrive.

When we arrived at our meeting on October 20th we were surprised to see unfamiliar faces and when we inquired they told us John had passed away. Although we always thanked him for his efforts he may not have realized how truly extraordinary he was in performing his job as the Senior Banquet Captain.

A long time ago the founder of People's Express told me that when you have a good meal in a restaurant it is usually because somebody there is dedicated to see that you have an excellent experience. I think that was true of John Connolly. I don't think he saw us as just another lunch time group and he wanted each encounter that we had to be one that would be memorable.

We are going to miss him.

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Equipping, educating and celebrating families in business.

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

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President
KTA Super Stores

STEVE UEDA
President and CEO
Suisan Company, Ltd.

Upcoming Events:

Nov. 17-18 Annual Retreat

FEB 22—Maui Island Meeting

11:30 a.m. to 1 p.m.

Kahili Golf Club

Speaker: Jason Higa, Chief Executive Officer, FCH Enterprises, Inc. (Zippys' restaurants)

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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 Hawaii at Mānoa. Administrative support for the FBCH is provided by the Pacific Asian Center for Entrepreneurship.