UNIVERSITY OF HAWAI'I AT MANOA
SHIDLER COLLEGE OF BUSINESS

VOLUME 10 NUMBER 3

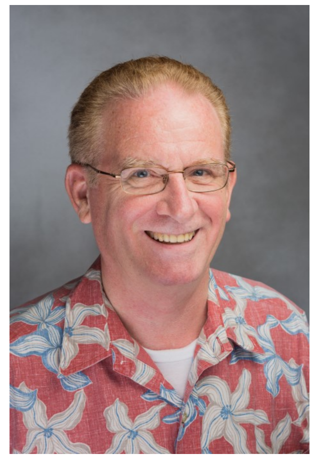
FAMILY BUSINESS MATTERS

The Newsletter of the Family Business Center of Hawai`i

SUMMER 2017

MESSAGE FROM THE FACULTY DIRECTOR

- The highlight of our year is the annual retreat. This year's retreat will depart from past formats so that we have a variety of presenters and some opportunities for smaller group interaction. Our two main speakers will be Dr. Brad Klontz and Dr. David Hunnicutt.
- Dr. David Hunnicutt is the CEO and Managing Member of David Hunnicutt Int'l LLC. Before starting his own firm he was the CEO of WELCOA for almost 20 years. Dr. Hunnicutt is an expert on the link between better health and human performance and how this impacts on employee productivity and well-being. He has worked with such organizations as Kaiser Permanente, General Motors, the Department of the Navy and Stanford University. Those who have attended any of his programs have given them extremely high marks. Dr. Brad Klontz is the Founder of the Financial Psychology Institute. He is also the Managing Principal of Your Metal Health Advisors. He has authored or edited five books on the psychology of money and has been awarded the Innovative Practice Presidential Citation from the American Psychological Association for his application of psychological interventions to help people with money and wealth issues.
- Wellness in both a physical and financial sense will be the theme of the retreat, something of great important to all family businesses although we often ignore these links in our day-to-day efforts to run our organizations efficiently.
- This should be a a great program and we are still in the process of adding some additional speakers to meet with smaller groups in concurrent sessions. It will also be great to have the event in the Waikiki's first hotel and one that is on the National Register of Historic Places.



John Butler
Faculty Director
Family Business Center of Hawai'i

Harold and Sandy Noborikawa Endowed Chair in Entrepreneurship

Annual Retreat Nov. 17th. And 18th. at the Moana Hotel

INSIDE THIS ISSUE:

RANDALL YEE PROVIDES AND 2017 ESTATE AND 2017 HAWAI´I LAW UPDATE FOR FBCH'S MAUI CHAPTER

On May 24, 2017 Randall Yee of Yee & Kaswashima, a noted estate and tax attorney spoke at the FBCH meeting at the Kahili Country Club. Mr. Yee provided a comprehensive update of the 2017 estate and Hawaiian law changes. While many business owners do not find estate and tax laws a topic they like to discuss, Mr. Yee pointed out that they can have big implications for both one's family and one's family business.

He pointed out some very interesting facts that most of us tend to forget. First, updates are important. After he said that, I remembered that my younger brother is the executor of my estate. The only problem with that is that he died six years ago. Our situation and views change over time and we should revisit our estate documents.

He also pointed out that although a Power of Attorney lasts until revoked that does not mean that the teller at you local bank is going to honor one that was executed twenty years ago. Mr. Yee suggested checking if the bank you are likely to use if they have any special Power of Attorney requirements. This is something you want to check before it is needed.

Hawai´i recently (2014) passed a Uniform Power of Attorney act that provides some clarification and certain rights but this is an issue where the costs associated with getting some professional advise are warranted. Now third parties that rely on a Power of Attorney have seven days to decide if they will accept it or require any additional information to show it has not been revoked, which puts "more bite into the Power of Attorney."

A final issue that many are very happy about is the increase in the federal estate tax exclusion to the level of $5.49 million and the fact that it now has portability. Some are even hopeful that President Trump's desire to get Congress to end the estate tax will be successful.

Mr. Yee pointed out that one thing we should always remember. Just because one president or one congress wants to do something and in fact does achieve its goals does not mean that some future president and congress might not have very different views. In the United States and in most states tax laws are usually designed to achieve policy objectives and these objectives change over time. Thus, the need for regular updates.

For instance, there has been some suggestion that the discount that can be applied to the firm valuation of a closely held business is about to end. That would be an issue that would impact some of our members and might be worth mentioning to your members of Congress.

I clearly pays to have an annual update when it comes to taxes, trusts, inheritance and the change state of federal laws and to asses their impact on your personal situation.

Randall M.L. Yee is a partner and head of the Trust and Estate practice at Yee & Kawashima LLLP. Mr. Yee has over 30 years of experience as a trust and estate lawyer with a concentration in probate, trust and estate planning matters.

GINA MANGEIRI TALKS ABOUT MOVING FROM ENTREPRENEURIAL OPPORTUNITY TO BEING A FAMILY FIRM

Gina Mangeiri, founder of Cole Academy grew up in a family business but her own business in Hawai`i was started because she realized that there was a severe shortage of Institutions for early child care. First, she sported an opportunity, which came to her attention when she had her first child Cole, and realized that without grandparents, aunties and uncles a working mother had very few alternatives. She said the issue became "what would we want as parents" in terms of having high quality day care for our children. It was from this idea that the Cole Academy was conceived as an idea and then became a successful entrepreneurial business.

Gina pointed out that having grown up in a family that had businesses, traverns, restaurants and finally a pool and spa business that she always felt the pull of a family business. In fact, her sister took over the pool and span business, while Gina went off to study journalist at Northwestern University where she earned a bachelors and masters degree and is well know as an investigative reporter for KHON2 television. Interestedly, Gina's mother also worked as a reporter.

Gina raised some interesting issues about the pull of the family business. Her son Cole is now 14 and he has a younger brother. She said "it is a duty" one has to raise the issue of children joining the family business and to carefully consider the impact this may have on family dynamics.

Gina Mangieri speaking at the Family Business Center of Hawai`i meeting at the Oahu Country Club on the issue of moving from entrepreneurial idea to becoming a family firm.

She also pointed out that there needs to be some discussion of the issue of continuing the business. That is, "does it makes sense for this business to continue" and then does it makes sense for it to continue as a family business. For that to occur the next generation has to have the skills needed to operate the business successfully and hopefully to make it grow. Gina's husband Doug owns a charter boat business so there are multiple family businesses that need to be considered.

Gina's MBA from the Shidler College of Business has given her the analytical skills whe said are helpful in making financial decisions. She described a recent opportunity to make an acquisition of a boat company where issues such as declining cash flow and equipment maintenance helped make the decision not to proceed. She also pointed out that the are tryng to make efforts to secure the sites for the various locations of the Cole Academy so that the issues of permanence is resolved.

"Will out first generation become a permanent business or a family business? I just don't know." However, she did feel that there are four keys to a successful business and that you can't have a successful family business until you have a successful business. They are:

(1) **People.** You not only need the right number but you also need the right skills. They need to be carefully recruited, trained and nurtured.

(2) **Banks,** creditors and licensing agencies and are all important. Select them well and recognize their importance.

(3) **Perpetuity.** Think of your business in terms of its permanence and you will be more likely to succeed. Build for the longer term.

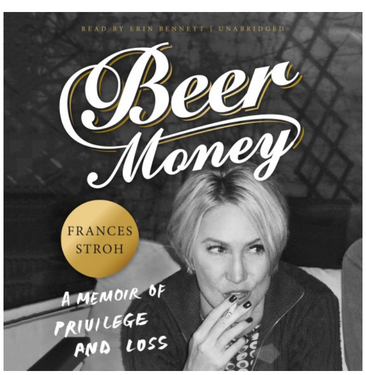
(4) **Profits.** Yes, you need profits to survive but they also serve as a measure of the value of the business. If no family member is interested in operating the family business profits serve as the measure of the value of the firm. There is also value in being able to have a firm that can be sold at a price that reflects the hard work and time that you have spent building it.

BOOK OF INTEREST TO BOTH FAMILY BUSINESSES AND THOSE WHO ADVISE FAMILY BUSINESSES: THE END OF STROH'S BEER AS A FAMILY BUSINESS

This issue of the newsletter looks at a book entitled *Beer Money: A Memoir of Privilege and Loss* by Francis Stroh, a member of the last generation of the Stroh's family that had any involvement in the Stroh's beer company.

I suppose any of you above the age of 55 who are beer drinkers would, at least remember Stroh's beer. *Beer Money* is not so much about the disappearance of a family business, although at one point Stroh's Brewery was the third largest beer firm in the United States. The book, written by Francis Stroh, traces her family, operating a declining business in a deteriorating city, Detroit.

The author's father had wanted to pursue a career in photography but instead ended up working unhappily in the family business. Stroh's was not just located in Detroit, it was also a real estate developed and extensive property owner in the city. Unlike some breweries that went out of business because they did not expand, Shroh's expanded aggressively by purchasing Schlitz and Schaeffer. However, in making these large acquisitions they did not appreciate that they had now become a larger corporation with the complexity that required considerably more managerial expertise than was possessed by the family member managers.



Beer Money: A Memoir of Privilege and Loss by Francis Stroh, New York: Harper, 2016, $25.99

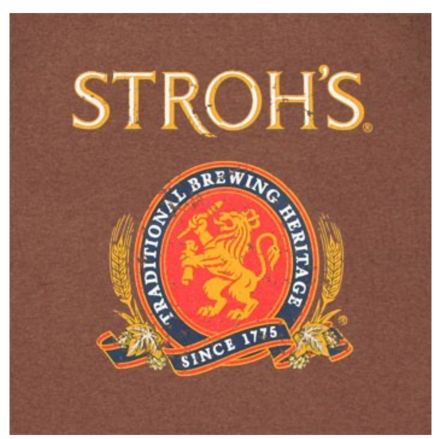
Susan Stroh's book tends to focus more exclusively on her family's misfortunes, family discord and the serious drug problem of a brother.

One of the saddest events described in her book occurs in 1997 at the final board meeting where her CEO cousin, John Stroh, tells the shareholders that the firm will not get enough money from the sale of its brands to even pay all its bills. In addition, its vast real estate holding in Detroit were essentially worthless. Susan brother Chalie asked *"John, I have hepatitis C and, well, I need financial support for my medical care and living expenses. So how would I go about getting a guarantee of financial support?"*

His cousin responded that *"those of us who need support will have to turn to our parents."* Several weeks later Charlie Stroh jumped off a building and killed himself.

Susan Stroh concluded that "*running a regional brewery was a far cry from running the beer giant we'd become in the eighties and nineties. And…we'd simply blew it."*

The real value of this book is that it shows how a series of very small events ended up having very large consequences. What appeared to be good for the family and the family business proved to be just the opposite in a number of cases.



FAMILY BUSINESS CENTER OAHU PHOTO GALLERY

JOHN ROTH AND KUMU BELCHER FROM HAWAI´I TRUST & ESTATE COUNSEL SPEAK TO FAMILY BUSINESS CENTER OF HAWAI´I CHAPTER AT HILO YACHT CLUB

John Roth founder and attorney and Kumu Belcher an associate attorney at Hawai´i Trust & Estate Council made a presentation at the Hilo Chapter on "Estate Planning for Family Businesses." Their presentation revolved around four themes.

The first theme revolved around generational filters. "Make sure you have business time for business discussion and family time for family discussions." "Baby Boomers" (1946-1964) are likely to have very different impressions of "work" than do millennials. When dealing with younger generations you need to have generational filters. In fact, when they asked FBC members who worked the traditional 8 to 5, 40 hour week the hands that were raised were those of the older folks in the room.

The second theme revolved around setting expectations. Don't just assume younger family members joining the firm will automatically know what your expectations are with respect to the effort they expend and the underlying culture of the firm, which is usually a reflection of the entrepreneur founder. In fact, research shows that the impact of the entrepreneur-founder impacts many firm for decades after the founder's departure.

The third theme is succession, which they labeled "the elephant in the room." The problem is that many act as if they do not see the elephant or if they do they don't want to discuss elephants today and they will have another excuse for not discussing them tomorrow.

Finally, seek outside advisors as needed. Nobody is outstanding at everything. "It can be useful to have an outside advisor to initiate a needed conversation and then periodically follow up to see if what was agreed upon is being implemented. These can me mediators, estate planners, or business consultants. An outside perspective can be useful and they can also provide professional expertise that those running a business don't have the time to acquire.

From left to right John Roth founder and attorney at Hawai´i Trust & Estate Council, John Butler, Faculty Director of the Family Business Center of Hawai´i and Kumu Belcher an associate attorney at Hawai´i Trust & Estate Council

The ocean view from the Hilo Yacht Club meeting room makes the occasion that much more enjoyable

Speaker John Roth interacting with FBCH members at the Hilo Yacht Club meeting.

CORY CAMPBELL SPEAKS ON ENHANCED EMOTIONAL INTELLIGENCE

Cory Campbell brought a high level of enthusiasm to his talk at the Oahu Country Club on Tuesday, July 11th. It was amazing how much energy he was able to exhibit and maintain over his 50 minute talk. He made a strong case for emotional intelligence being much more important to career success that IQ, or some other measures of academic intelligence. He pointed out that we have a great deal of control over our emotional well being because "life can be the way you want to see it or don't want to see it." A recent Gallup poll indicated that 33% of US workers are not engaged in the workplace. Even more surprising is the fact that 16% indicated they were miserable in their jobs and actually tried to engage in activities that sabotaged the efforts of their organization to be effective.

Mr. Campbell indicated that there are four steps to emotional intelligence. They are:

Self-Awareness,
Self-Management,
Social Awareness, and
Relationship Management.

In addition he out that our inability to control emotions often makes good people bad. We also need to recognize that when we "apologize to somebody it does not mean that we were wrong but rather that we value our relationship with that person." The key is to find out what people are good at and find a way for them to be engaged in that task.

He used a quote that made a good point about the value of employees which stated "Everybody is a genius. But If judge a fish by its ability to climb a tree, it will live Its whole life believing that it is stupid" to support this point. It is a great quote in terms of making the point that we need to find tasks that make people look good so that everyone can provide maximum value to our organization. It makes a great point and one we could all take to heart.

If you missed the talk we have it on video and members can see it by going to the Family Business Center of Hawaii web site (http://fbcofhawaii.org/).

Cory Campbell CEO and Founder of Akamai Training & Consulting speaking on Enhanced Emotional Intelligence for Effective Modern Leadership.

The Changing of the Guard at the Family Business Center of Hawai'i's Advisory Board. Jenny Kelley (right) of Seaside Ohana Investments has just finished a two year term as Chair. Jared Watumull (center)of Watumull Brothers Limited will be taking over for the next two years as Chair and Jami Hirota (right) of Sam O. Hirota, Inc. will be Vice Chair. Thanks to Jenny for her past efforts and thanks in advance to Jared and Jami.

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KTA Super Stores

STEVE UEDA
President and CEO
Suisan Company, Ltd.

Upcoming Events:

August 10-Oahu Summer Social
Chuck and Jenny Kelley's Home

Oct. 19-Hawaii Island Meeting
Charles Kelley, M.D., President and Chairman of the Board, Seaside Ohana Investments
Imiloa Astronomy Center

Nov. 9-Oahu Meeting
Steven Ai, President, and Carol Ai May, Vice President of City Mill
Oahu Country Club

Nov. 17-18 Annual Retreat

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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 .