UNIVERSITY OF HAWAI'I AT MANOA SHIDLER COLLEGE OF BUSINESS

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FAMILY BUSINESS MATTERS

The Newsletter of the Family Business Center of Hawai`i

FALL 2018 (RETREAT SPECIAL)

MESSAGE FROM THE FACULTY DIRECTOR

The 2018 retreat was a big success and we are already planning for the 2019 retreat. Put a couple of big X's on your calendar for Sept. 20th. and 21st., 2019, so that you don't book anything else on those dates. As the Retreat Committee develops the program, we will keep you informed. We also welcome your ideas and I encourage your to e-mail, phone, or grab me at a meeting to let me know your thoughts. Multiple minds are likely to produce a better result. In addition, I like to hear from you.

The Family Business Center of Hawai'i will be celebrating its 23rd birthday in November. There are only a few other family business centers in Canada and the United States that have been in existence this long. Some that were government funded have even disappeared. As I reflect on our longevity I believe that the high degree of membership participation is one of the reasons we have thrived in recent years. Yes, we have added chapters on Maui and the Big Island but the real difference is that we have had a constant rejuvenation at the leadership level. The advisory boards have changed, as well as those assuming leadership positions. Change brings new energy, ideas and programs.

I have also noticed that we have had an infusion of younger people attending our meetings and retreat. In some cases these younger people are representing family firms who used to send members closer to my age.

The Shidler College of Business has also contributed to this age transformation when Dr. Marjan Houshmand joined the faculty at Shidler and became the Assoc. Director of the FBCH. She has been active in our Next Gen meetings as well as teaching a course in Family Business and is engaged in active research in the area of family business.

John Butler, Faculty Director
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One of our members just got engaged and I asked him why he had not brought his fiancée to the retreat. he had not asked his fiancée to come to the retreat. When you attend meetings or retreats it is good to think about bringing family members who are not directly involved in the business, but are impacted by what goes on in the business. The history books on family business failures is populated with far more stories about families that failed than with family businesses that failed. I looked forward to interacting with you as we enter our 24th year.

UPCOMING EVENTS

Oct. 17 (Wed). 11:30 to 1:00 Hilo Yacht Club, Hilo
Russell Hata, Chairman, President & CEO of Y. Hata & Co. Ltd.
"Journey to immortality: How the Hata family is preserving the future of the company."

Nov. 6 (Tuesday) 11:30 to 1:00 Prince Waikiki Hotel, Honolulu, Bernstein Wealth Management

Nov. 8 (Thur.) 11:30 to 1:00 Kalihi Golf Club, Maui
Sandy Au Fong, President and Secretary, Market City, Ltd.

Sept. 20-21., 2019, 13th. Annual Retreat, Venue to be announced.

LEADING THROUGH INNOVATION IS THEME OF 2018 FAMILY BUSINESS CENTER OF HAWAI'I TWELFTH ANNUAL RETREAT

Joe Schmieder, Principal of the Family Business Consulting Group led this year's retreat. However, we got an added bonus when Dana Telford, who is also a Principal of the Family Business Consulting Group joined the retreat leadership team. Dana had just moved to Maui three weeks before the retreat and Joe persuaded him to come over to O'ahu for the retreat. They were a great team and worked well together.

Joe pointed out that research shows that less than 20% of people do something actionable after leaving a family business retreat and that increasing that percentage would be a goal of this retreat. He pointed out that innovation is often misunderstood and that change is only valued when it leads to meaningful results. He also cautioned that just because something works for Apple does not mean that it will work in your firm. Research shows that family firms are actually more innovative than other firms, although they are often popularly viewed as being staid and resistant to change.

In their second session, Joe and Dana discussed the seven triggers for innovation in a family firm. These include:
(1) A growing family, which often motivates family firms to find ways to expand their business.
(2) A mature product line, which motivates the search for new and innovative products or services.
(3) A significant market change, which should propel any firm to make adjustments.
(4) Increased competition, which requires differentiation of one's products or services.
(5) Succession, which may push innovations in both the way the firm operates and its structure.
(6) A decision to formalize governance, which requires organizational innovations as the family firm moves to a set of more formalized governance.
(7) Wealth transfer, well this calls for some highly informed innovations.

A special feature of this year's retreat, was a panel presentation that included three of our member family firms. Early on Saturday morning, Lia Hunt (President of Goldwings Supply Service, Inc.), Stanley Lau (Founder of Hawai'i Tech Support), and John Morgan (President and CEO of Kualoa Ranch) shared the history of their family firm with members.

They also discussed some challenges they faced. Lia's firm was in the airline service business, which meant that after 9-11 "you could hear a pin drop because there were no flights or activity." However, she pointed out that the recession that began in 2008 prompted them to diversify.

Stan felt that an important issue for a first generation firm is that they don't have a legacy yet. In addition, because his "industry changes so rapidly, the industry they compete in today may not be around in 15 years."

Dana Telford, Principal of the Family Business Consulting Group (left) and Retreat Leader Joe Schmieder, Principal of the Family Business Consulting Group (right)

John started out by suggesting that we might want to read a book he has found useful, *The 7 Habits of Highly Successful People*. If you are a Prime member on Amazon the book is free on Kindle. He said that their overriding goal is that they want each of their employees to see us as "the best employer any of our employees have ever had."

This session generated lots of questions and it allowed participants to find out what worked for these members and approaches that should probably be avoided.

It was a great retreat and a great retreat requires great retreat leaders as well as great participants.

Thank you for participating.

Panel Members: Lia Hunt (President of Goldwings Supply Service, Inc.), Stanley Lau (Founder of Hawaii Tech Support), and John Morgan (President and CEO of Kualoa Ranch) enjoy a light moment during the panel discussion on Saturday morning. (Photo courtesy of David Takagi)

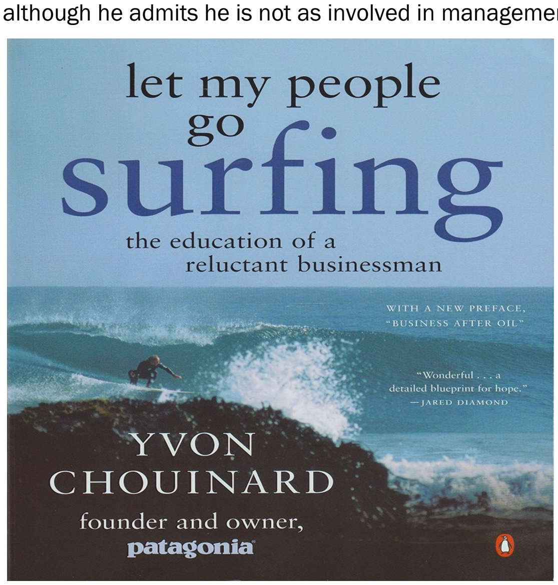
PATAGONIA: A GREAT COMPANY AND A GREAT FAMILY BUSINESS

I had finished reading *"Let My People Go Surfing: The Education of a Reluctant Businessman"* just before this year's FBCH annual retreat. I could not know that this year's retreat leader Joe Schmieder would incorporate this book and Patagonia, a firm known for its outdoor clothing, into the retreat's discussion. More than 50% of the people attending this year's retreat admitted to owning at least one piece of Patagonia sportswear. In 2005, Yvon Chouinard, the founder and owner of Patagonia, decided to set down his thoughts about his life, his firms and his philosophy for operating a family firm in this book. The book was such a success that he updated it in 2016.

Yvon Chouinard, Founder and Owner of Patagonia

Chouinard's first business was a blacksmith shop where he manufactured specialized climbing equipment, carabiners and pitons. He noticed that existing climbing equipment left scars in the rocks so he developed equipment that left the mountains unscarred. It was here where he developed his approach to balancing work and outdoors activities. Of course, many firms can't just let employees go surfing when the "surf's up" but Patagonia has a good number of positions where this is possible, "as long as they get their work done."

Chouinard's wife Malinda and his son and daughter also work in the business. It was Malinda who set up their child care facility so that employees could bring their children to work. His son Fletcher works in the Surfboard shaping area, where he attempts to support the firm's objective of "make the best product." They claim that Patagonia surfboards are "lighter, stronger, perform as well as, and last much longer than other surfboards." Patagonia took over Fletcher's surfboard business and then focused on producing boards that did not break in actual use. His daughter Claire is in the women's design ware division. He son is now a member of the board, although he admits he is not as involved in management as he would like to be. Chouinard is currently 77 years old so succession is obviously an issue that needs addressing, although not one he addresses in his book.



The way Chouinard describes the firm, one would think that all the employees are members of the family. However, like most apparel manufacturers he has to manage the manufacturing process, which is usually done far from their Ventura, California facility. The firm has a strong reputation with respect to the products that it produces. It makes products that try to minimize any negative effects on the environment. For instance, the cotton shirts most of us wear are made from cotton that was grown with large amounts of insecticide and fertilizer. Patagonia uses organic cotton that is grown in a more environmentally friendly manner. There are numerous examples in the book where Patagonia merges their operations with their political and environmental philosophy.

The book is an interesting read, but a great deal of it reflects Chouinard's personal, political and environmental views, with which you may disagree. Some will love the book and some will be letting off steam and feel that many of the things the firm is doing should be done by individuals outside of the firm. He owns the firm so that is not going to change in the short term.

This is the kind of book you read to get some new and interesting ideas. It probably isn't going to drive anyone to do some of the things that Patagonia has done, but some of their hiring practices, operating practices and support services that they provide to employees might be things that most organizations could reflect upon. I think this book is one that will get you responding and involved in some of the arguments and issues Chouinard raises. I purchased both editions, but I think the earlier one was better.

FAMILY BUSINESS CENTER OF HAWAI`I ANNUAL RETREAT PHOTO GALLERY

FAMILY BUSINESS CENTER OF HAWAI`I ANNUAL RETREAT PHOTO GALLERY

Equipping, educating and celebrating families in business.

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

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FAMILY BUSINESS QUOTATION OF THE SEASON

"I believe that the tradition that follows a family through eight generations is extremely powerful, quite tangible and very relevant. The secret is to not let your tradition unreasonably burden you."

— John Lyman III, eighth-generation executive vice president of Lyman Orchards in Middlefield, Conn. (Family Business *Magazine, September/October 2016).*

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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 .