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HELPING FAMILY BUSINESSES

To prosper for generations, family businesses must overcome the unique challenges that arise when you work with relatives.

Lee Ann Bowman | © January, 2014

There is no typical family business in Hawaii – they are as diverse as the state itself. But each has at least one powerful strength and one potentially crippling drawback: the family itself.

Michael Miyahira, the founder of Business Strategies, a Hilo-based consulting company that advises family businesses, understands those family dynamics well. When he retired from [Bank of Hawaii \(https://www.boh.com/personal/\)](https://www.boh.com/personal/) 15 years ago, he had already worked with a lot of second- and third-generation family businesses. Some had issues with cohesiveness or entitlement. Others had difficulty managing the performance of family members who were employees. And many had given no thought to preparing the next generation for succession. The families may have understood their businesses, but so many did not understand the challenges created by family dynamics or how to overcome those challenges.

“Usually relationships (are) involved, which make disciplining, demotion or termination difficult to institute,” he says.

His job is helping families develop strategies that allow the transition between the generations, and educating the younger people about the business and their future roles. Many families – whether they have a business or not – have issues that are never openly discussed. But these lingering issues can cripple a business, so Miyahira’s job is often to facilitate that difficult discussion.

Reluctant to Join Reluctant to Join

The third generation of the Kamitaki family business had been chastened by its experience in taking the reins beginning in the 1970s, so, 10 years ago, they turned to Miyahira to help them prepare the way for the fourth generation.

Shikano Kamitaki formed the humble beginnings of the family business when she left a Maui plantation to open her own barbershop in Kahului. Today, four of her grandchildren – three siblings and a cousin – are principals in HouseMart (<http://hmstores.com/>), a family business comprising some of the Ben Franklin Crafts stores in Hawaii and Ace Hardware stores in Hawaii, Las Vegas and the Pacific Northwest.

House Mart CEO Wayne Kamitaki says that, though he grew up helping with the family business, he had no desire to join the business after college.

“I think what each of us saw is the number of hours my dad worked and the number of hours away from home,” says Wayne. His father, Tadani Kamitaki, one of Shikano’s five children, was operating a series of Ben Franklin stores on three islands when he suffered a stroke in 1970 – the same year Wayne graduated from high school.

Tadani never fully recovered, so Wayne and other family members of both generations banded together to help keep the family business going. In 1973, Wayne switched to night classes to finish his college education and began shouldering a lot of the load.

The following years were difficult. “We almost went bankrupt,” he remembers, “but we fought to get back on our feet again.”

Members of Wayne's generation – the third – eventually had children of their own and didn't want them to face the same struggles they had.

“We learned that when things go well, everybody in the family gets along,” says Wayne. “When things get rugged, people get worried.” One of the things the third generation noted about their parents: During trying times, their parents' generation had both siblings and spouses involved, which Wayne says was “difficult.” His generation realized spouses should not be principals in the business.

When Miyahira was brought in as a consultant, the company was a complex family organization: Many family members were shareholders, and some of the family shareholders worked in the business, but not all.

“In his quiet way, he met with each of the family members individually, asking who would be interested in selling shares.

He offered a business plan,” Wayne says.

Today, four principals remain: Wayne, sister Lynn Ushijima, younger brother Guy and cousin Paul Mizoguchi.

Training ‘the Junior Board’

They hope to see a gradual transition, with some members of the next generation eventually assuming board positions in the company. They are also working to transfer management to key nonfamily members, a process which may be

completed within the next five to seven years. Miyahira says families need to understand that sometimes they must reach out beyond their relatives for CEOs and other company leaders.

The four principals have a total of 10 children age 21 to 31 and Miyahira has encouraged them to get involved. The current principals each have one of their children shadowing them. They call it “the junior board.” Also, the third generation meets with the whole fourth generation twice a year to pass on some of the family business values and “to understand the responsibility they will inherit” to serve their business’s communities and employees.

“We’re in the middle of a process,” Wayne says. “Because of the pressure (we felt), all four of us did not encourage our kids to go into business. But ... they are shadowing their parents. So who knows?”

The challenges faced by family businesses are so common yet important that most business schools offer courses or seminars specifically addressing those topics. The [Family Business Center of Hawaii \(http://fbcofhawaii.org/\)](http://fbcofhawaii.org/) at UH-Manoa’s Shidler College of Business provides advice and information to family businesses, and provides a forum for owners to meet every other month on Oahu and Maui. Recent topics have included succession planning, adding in-laws to the business and conquering the generational divide.

Kurt Corbin, assistant state director of the [Hawaii Small Business Development Center \(http://www.hisbdc.org/\)](http://www.hisbdc.org/), says many local family businesses are now transitioning from the second to third generation. Many Hawaii residents started businesses after World War II with the support of the GI Bill, he says. Then, the second generation worked in their families’ businesses while growing up, went

to college and, by the 1970s and 1980s, took over. Today, “transferring the desire to take over to the third generation has probably been the most challenging – for a variety of reasons,” Corbin says. “It’s a more complicated environment than 25 years ago.”

Corbin says many in the third or fourth generations have other interests or ask, “Why would I want to take over the business from my dad? If I do something good, it’s because the family did it. If I do something bad, it’s because of me.”

Family business owners must see things from the next generation’s perspective, Corbin says. They also need to let go, just as they did when teaching their kids to ride a bike. “It’s Dad with his hand on the bike seat and willing to let go.”

Paul Uyehara’s official title is president of [Aloha Tofu \(http://www.aloha-tofu.com/\)](http://www.aloha-tofu.com/), a thriving third-generation tofu-making business in Honolulu, but he also has a crucial, unofficial role. “To be honest,” he declares, thinking of his grandparents, father, uncles and aunts who built the company, “for most of the time I have been back, I’ve felt that I was more of a caretaker of something they built.”

Like Wayne Kamitaki, Uyehara grew up working at the family business but knew he didn’t want to spend his life there.

In fact, he says, his mother “rather firmly discouraged me from getting involved.” Having worked with the company, she knew too well the long hours, hard work and risks.

Paul had watched his father put in 12- to 16-hour days and knew the relentless demands of the job. So Paul chose a college on the mainland and a major that would allow him to study and work in Taiwan. Later, he taught English in Japan, where he met his wife, Misa. In the mid-1990s, he came back to Honolulu, returning to work with his father until the elder Uyehara retired.

The family had never discussed succession and several relatives still worked at Aloha Tofu. Uyehara knew two things for sure: A family business gets more complex the more players you have and, if he came back to work at the tofu factory, it would be with his eyes wide open. Despite his awareness of the dynamic, Uyehara felt increasingly isolated. Wanting to sort out his future and his relationship with the family legacy, he turned to Miyahira, who had contacted him months earlier, seemingly “out of the blue.”

“I could have talked to my dad or uncle,” Uyehara says, “but it’s really good to have a pair of eyes from the outside.”

Miyahira helped him think through and resolve ownership issues and adopt a family employment policy. The policy helped resolve such questions as: What qualities must a family member have to work for the company?

Last year, Uyehara says, the company bought out three of the owners, all from the second generation. A dialogue resulted in an amicable solution.

For Uyehara, finding a family-business counselor who helped clarify his own thinking turned out to be a revelation. “I’ve never been in therapy,” he says, “but that’s what I’d like to think it does.”

“Mission Accomplished!”

Paul has two sons. He wanted each to experience working at Aloha Tofu so they, too, would have their “eyes wide open.”

When his older son was about 11, he begged to go to work with his father.

“He was so excited he couldn’t sleep and when I went in to wake him up, he was already awake. At the end of the first day he announced he was never coming back.” To Uyehara, that was profound and meant, “Mission accomplished!”

That’s where things are right now. There’s no “fourth-generation plan,” but there is excitement about the next few years.

For one thing Aloha Tofu is expanding to a second site – sales of aburage, which is essentially deep-fried tofu, will move to a storefront at Dole Cannery.

“Although I don’t expect any changes in ownership, I expect the association of the Uyehara name with Aloha Tofu will begin to fade into the background. The main responsibility I see for myself, as representative of the third generation, is to ensure the continuity of the business, not necessarily for the family, but more for the employees and customers who have come to rely on Aloha Tofu.”

Ken Gilbert and Jean Santos use their decades of business and entrepreneurial experience to help guide their family-business clients. But the partners in [Business Consulting Resources Inc. \(http://www.bcrhawaii.com/\)](http://www.bcrhawaii.com/) bring something else to the table that is extremely useful: They, too, are part of a family business, so they know the challenges from the inside.

In the early 1980s, when they began their marriage and business partnership, they would visit a business and “often find the owners were a husband and wife or two brothers or the kids and parents dealing with family conflict that had nothing to do with trying to grow the business,” Gilbert says.

“They were plagued by problems, but there was no way we could help them because of the conflicts and issues they had in the family,” he says. “We realized we had to help them solve their family conflict issues if we were going to help them solve their business problems.”

‘They’re Just Like Us’

Witnessing these family exchanges, Gilbert and Santos would look at one another and say, “Hey, they’re just like us.”

Now, that they have been married 31 years, they understand that even early on, the most important expertise they had for their clients “was less our master’s (degrees) and entrepreneurial and consulting abilities and more, wow, we are a husband and wife and we are a family business,” Gilbert says. Clients would tell them, “You can identify with our greatest frustrations.”

Gilbert and Santos know they are not immune to the problems of a family business. That’s why they sometimes turn to one of their own BCR consultants and have external consultants as well. Key business decisions are at the forefront of their discussions. “Money, hiring key people, expanding the company,

diversifying the business, the amount of time each spends in the company, quality-of-life issues, the level of risk each of us is willing to take are key issues that we face,” Gilbert says.

Santos says they would like to pass their business on, but their twin children are still in their teens. They hope to build a bridge with nonfamily members to ensure the continuation of the company. Such a bridge might enable their children to come in at the “third generation” of the business if they choose.

For some family business leaders, it is hard to see the way forward to the next generation. Naomi Hayakawa was a teacher for 33 years, but when her family’s business, Hilo Rice Mill, needed her, she took over. Her mother was close to retirement and “I knew I needed to help mom out,” Hayakawa says. That was in 1994 and, today, she and a cousin are the only family members among the 12 full-time employees.

Hayakawa’s grandfather, Takaichi Saiki, helped found the Hilo Rice Mill in 1913. The company still bears the name, but is now a bulk food and dry goods wholesaler, a rice mill in name only.

Will Hayakawa retire someday? She is an only child who never married and has no children. No one in the family has stepped up to take over, but the thought of selling the family business presents a series of questions she has not yet answered. Instead, she recalls an old expression about family businesses: “First generation starts it, second expands it and the third ...” Her voice trails off.

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