

GUEST: WALTER DODS 2

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Aloha and welcome to *Long Story Short*. I'm Leslie Wilcox. In our last episode, we shared the first part of our conversation with retired banker Walter Dods, Jr. He's not *that* retired. He still has an office at First Hawaiian Bank downtown, still serves on many boards, still is a community leader and political insider. His banking career soared. But his career in elective office was shut down before it ever got started. Let's harken back years to those news headlines speculating about Walter Dods as a candidate for Governor of the Aloha State.

2002 rolls around, and the Democrats are looking for somebody to carry the banner for them, and they come to you and they say, We really need you.

Yes, I was under a lot of pressure to run. And it wasn't so much only pressure; I had an interest in running. I had done everything I wanted to in banking and in community service by then. I'd had a full career, and I felt that I could you know, finish my career in public service. So I gave it serious consideration. I talked to my family, we had a family meeting. And I was really shocked; I expected some members of my family to be with me and some were against. But they were all against it, you know. And I ended up having zero votes in support of the idea. And so there went the quickest campaign in the history of Hawaii politics. I actually came fairly close, but after having a long and hard discussion with my family—they were right.

You must have some regrets about it.

From time to time, when I see things out there that I think could be done differently, I do. But I try in my own way to help.

Do you think you would have won?

I have no idea. Well, that's up for the public to—I do know this; I had a lot of support from all sides, from business, from labor, from communities. I mean, it's amazing the kind of support that reached out to me. I will say that. But whether I would have won or not, who knows.

We've talked about all of the changes that have happened in one lifetime.

Yes.

Yours. I just wonder what you see as you look ahead. I know I'm worried about the cost of living and keeping kids here and whether they're getting the right education to fill the right jobs in Hawaii.

Right.

And we've heard this theme from the Superferry controversy about people feeling like they lack control, that they're helpless.

Yeah. Those feelings are out there, and they're serious, and we need to talk about 'em. But a lot of times I have trouble understanding some of these feelings. Fortunately, the nice thing about not being in elected politics, and being retired, is maybe I can be a little more, brutally frank with some of the things that are said. And so I'm gonna say it. Number one, on the fact that we may be losing control; I would say harshly, get over it, 'cause it is a global society, and we need to get over this feeling of isolation and lack of control. The Superferry thing, you know, we can get into all of the environmental issues; but basically, you go around the world, you have ferry systems everywhere connecting isolated parts of the community. And I really feel that sometimes the loud voices make the noise, and everybody thinks that's the way the whole community feels. I mean, there are ten or twenty, or a hundred times more people going there every day on airplanes than there is, as it turns out, two or three hundred people a day going on the ferry. So I mean, you know, I feel saddened by that kind of hostility in our society. But I'll tell you, the world's not gonna stop just because there's this feeling of helplessness.

You know, you're often called the insider's insider and just a proponent of localism. How do you feel about that?

Okay; that's a very interesting subject, and a controversial subject, and one I'd love to talk about. What does local mean? To me, local means respecting the host culture. I don't care where you come from; people need to understand that. I don't mean you gotta be born here and you gotta speak Pidgin, or you gotta have gone to the right school; that's not what I mean. It means respecting the host culture. I know people who have come to Hawaii, and within a week, I think they're local. They respect the cultures, they want to eat saimin, they want to try Filipino food, they want to learn to—Hawaiian music. And others are here 25 years, and their idea of local is the red carpet lounge at the airport, and two or three private country clubs. I mean, you know. So to me, local is an attitude. Having said that, I really believe in giving local kids a chance. And I'll tell you what the weakness is for locals. You and I, we're there, we know. The weakness is, we were taught growing up in a multi-ethnic society, no make ass. I hope you can say this on public television. In other words, don't brag, don't show off; so when you're in class, keep your hands down, don't volunteer the answer, don't let anybody know you're smart. That hurts us local kids; makes me want to cry every time I see that in our culture. And I really would like to see our kids understand that volunteering, answering, being assertive, learning how to communicate is very important. And so you know, so I do have a soft spot for locals. And what I have found over the years, if you give them the chance, they're as good or better than anybody else, but they gotta have the chance.

And so I just wanted to be a champion of giving them the chance. Not trying to exclude anybody; just trying to give a segment of our society a chance. Because they are outstanding, smart, they're hard workers, they can't get in the door because we've been taught not to brag, or not to express ourselves. Now, this is changing as our society changes. But again, the way to escape, you know, poverty, all these problems, is education. There's no other way. And whether education comes the hard way, like I did it, or whether you get it through the formal side, education of some sort is critical. And we missed the boat on that. And so when I talk local, that's what I mean.

Walter Dods, Jr. is a prime example of a local boy who made the most of his chances -- rising to the heights of corporate success as Chairman and CEO of First Hawaiian and BancWest Corporation. The son of a police officer and a coffee shop cashier, the eldest of seven children, he didn't start out aiming for the top.

You know, nowadays, people consider east Honolulu the affluent community. But when you lived in Kuliouou, it was a farm valley and you lived in a quonset hut.

That's exactly right. The bus ended—again, we're going into history now. The bus ended up in Kealaolu, which is right now where Kahala Mall is. That was the end of the bus line. So first off all, you're way out in Lunalilo Home Road, and then Kuliouou; and every single day, we hitchhiked home. Everybody hitchhiked; it wasn't a scandal and people stopped, and you always felt safe, and every day—that's the only way to get home. Either that or walk. And that's a pretty long walk. And so yeah. There was no Aina Haina. I went with my dad in a jeep as a little boy, and we went up into the mountains. I remember the developer's name; somehow certain names stick. His name was Ernie Newell; and that was the Hind Cart Dairy. And we went up in a jeep, and looked for out lot, when we were gonna get out of the quonset hut and get a real house for the first time in Aina Haina. That was all jungle and Lunalilo Home Road was a dirt road of just pig farms. And we used to drag race out on Lunalilo Home Road, because there'd be nobody out there to catch us. And where Kalani High School is, across the street was a little zoo. There was a gorilla there, an elephant and a couple other animals there. And we would sneak through the sugarcane to try to find golf balls from Waialae Country Club, so we'd take the golf balls and sell the golf balls. It's changed quite a bit.

What a different terrain in these decades.

Totally. I come from kind of a unique point of view, 'cause I was born the year of Pearl Harbor, and I graduated from high school the year we became a state. So I've sort of seen the transition, you know, from the old days to what we see today. So I'm proud to have come from that unique slice of—

And the banking has changed as if an eternity has passed. What are some of the changes you've seen in banking since you started there?

Well, when I first started, actually right before I started, banks were the first ones to really bring computers to Hawaii. And this is an interesting historical note. First National Bank was Bishop National Bank back then, before it was even First National Bank. It was where they tabulated the results for the state elections. They used the bank's computers to tabulate the votes. The state had no computer system; and I remember that. Banks have changed, absolutely, dramatically over the years. Automatic tellers; I was a young marketing person at the bank when I developed the first check, the Surf Check; that was one of my very first creations as a young marketing person. It was the first check with a, you know, a personality, anywhere in the country. And that was a big deal. And the charge card; bringing the credit card into Hawaii. We put a photograph on our card, the photo ID, which was the first of its kind in the country. And then we brought an ATM. We were the first in Hawaii with automatic tellers, and we did a lot of first innovations back then. That was kind of my marketing side. I'm proud to say that I introduced The Bank That Says Yes. That was one of my first advertising campaigns, and now you know, almost forty years later, it's still the bank's slogan in one way or another. But the Yes was an important thing to me, because it wasn't just a slogan, it was an attitude – of trying to change our culture, to be one – going out and working with people. Banking in the 40s and 50s in Hawaii, and way before that was basically, their motto was simply this; you come in and prove to us you don't need a loan, and we'll loan you some money. And we took a whole different attitude. We tried to go out there and, you know, become consumer and retail oriented.

And I heard your loan executives wanted to get you fired—

They wanted to—

--when you wanted the bank to say Yes.

This is true. They tried to actually get me fired; the loan people were very upset with the campaign. Fortunately, we had a really tough local boy running the bank, the first one ever, Johnny Bellinger. And he supported me and allowed me to keep my job. And of course, you don't make every loan; but it's an attitude that I was trying to sell to all of the employees. And I'm proud to say, I think that that that culture, that attitude has really changed the face of the company. A fascinating banking story, going back. First Hawaiian started as Bishop Bank in 1858.

Wasn't it founded by Bernice Pauahi Bishop's husband?

Yes; Charles Reed Bishop. As a matter of fact, this year is the 150th anniversary. And they had been the largest bank until the 50s, 1950s. And as can happen in any business, you get arrogant, you don't treat your customers well, you don't do the right thing; something can happen. Competition across the street brought in a young bank executive from the mainland; he became president of Bank of Hawaii. And his attitude was so far reaching; nothing like this had ever happened in Hawaii. He said, We're gonna go out and talk to customers. Imagine that. He did that, and when he left, Bank of Hawaii was the largest bank in Hawaii. And it took us almost fifty years to turn that around. And I'm proud to say that we have recaptured our position as the largest and

most profitable bank in Hawaii. But a lot of it had to do with attitude, and how you treat people. It's as basic as that, in almost any business you get into.

Why so many firsts, do you think?

Well again, I love marketing. I got into it, you know, by accident, as I said, into the advertising and PR, and then went to more marketing. And I just loved it. And I loved it, and I understood that because banks are banks; they all have the same product, money, that you have to differentiate yourself. And the way you do it is through marketing, creating better products, better service. And so I really got heavily involved in that and just had to put together a good group of people around me, and we were able to innovate quite a bit. And we created a unique computer logarithm that allowed you to pay any day of the month. As you know, growing up, if the bill was due on the fifteenth, it was due on the fifteenth. Well, we created a system where if you paid early in the month, more went to principal; if you paid later in the month, more went to interest. But you could pay any day of the month. So we created the Pay Any Day Loan, which then became a nationally recognized product in the banking industry. And then we created an all-in-one account, where you could put many accounts into one. We sold the name to Bank of America for several hundred thousand dollars. So we were quite an innovative bank early on.

So early on, you considered the bank a retail operation, which later, everybody realized is what it really was.

Yes; absolutely. Early on, we understood that marketing held the key to the difference. And so yes, we considered ourselves retailers.

And do you think what you did allowed more people to get access to loans?

Absolutely, I think that. And I'm proud of that. Bringing it to a consumer and creating products that allow people to get into the system earlier and earlier. You know, when you get into a credit card business, you can get a \$500 loan instead of having to get a \$5,000 loan because documentation costs so much. Changing the whole delivery system allowed a lot more people to get into the business. And when you consider we went from around twenty-something percent to now, thirty-two percent of the Hawaii banking market, you know, we did something right, and we absolutely allowed a lot more people to get into the system. And we worked at that. You can't finance Hawaiian Home lands because of the fact that you can't have the collateral. But we've been able to come up with innovative programs that allow us to work with OHA and other groups to do that. So we take the retail, and we take our community attitude, and we blend them together. So we not only create new products, but we find ways to help different people get into the system. The thing I'm most proud of though, is if you take a look at our institution, is the entire institution is run by people that consider Hawaii their home. It's very special to me.

You know, all this time talking about banking, and I don't think I've heard you say one number.

Yes; you want to talk numbers, I can talk numbers.

Are you a numbers cruncher?

No, I'm not a numbers cruncher, but I have the ability to understand numbers. Although I really wasn't educated in it, but I can understand—

Did you pick it up immediately, or did somebody have to help you with that?

Once I could understand the terms and the accounting, principles, I picked it up pretty quick. I've been blessed with the ability to look at a balance sheet, to find the mistake or to read a press release or an annual report and figure out what's wrong with it right away. I've just been intuitive that way. And so I know numbers well. People think of me as a quote-unquote PR person. But you know, frankly speaking, when you run—ultimately, as you know, we expanded to the mainland now. We now have a seventy-five billion dollar holding company in nineteen states with – I don't know, fifteen, twenty thousand employees. You have to do more than be able to write a press release, but—

And you also led the bank in a number of mergers.

Yes. Yes; we bought quite a few companies, and I led the bank. And I particularly remember one, because First Interstate Bank of Hawaii was owned by Bill Simon, who was the former Secretary of Treasury. And I negotiated to buy First Interstate Bank in Hawaii. And when I did the deal, the American Banker front page story is Rookie Hawaiian Bank CEO Gets Outsmarted by Bill Simon. 'Cause I paid two times book for it. And ironically, if you now look at the banking business, people are paying, two, three, two and a half, three, four times book. It was actually a very, very good deal for us. But at the time, I was criticized for doing what turned out to be a great transaction for us. I've been involved in a lot of transactions.

Did you second guess yourself, or did you think time will prove me right?

I never, never second guess. I knew it was the right thing to do. It's very hard to gain market share in a community like this, and overnight I was gaining a wonderful market share. But my proudest financial achievement wasn't any of the billion dollar mergers, which I've done several in excess of \$5 billion. My proudest moment was in helping to rescue Manoa Finance. A group of elderly depositors lost all of their life savings. It was in big trouble, it was a very controversial thing in Hawaii at the time if you—

It was huge.

--go back. Really huge. And many people had attempted to salvage it, but weren't successful. And out of desperation Donna Tanoue at the time, who was—she was the reg agency director, came to see me and asked me if I would take a shot at it, right. Again, stupidly, thought that this was something I could do, not realizing how thorny the issues were, how political it was, how many problems there were. But I decided to take a run at it, and I spent two years of my life, night and day, and I'm proud to tell you that we got the depositors'—they didn't get—they lost their interest, but we got them back their money. And it was through

hard work and I was most proudest. To this day, I go around the community, and elderly people will come up to me and thank me for saving their life savings. And that was my proudest moment as a financier.

You talked about how difficult, how complicated it was. A lot of people had their fingers in that case.

Yes.

So the political underlining was large.

Brutal; absolutely brutal. I would go to the Legislature to try to get them to do certain things I needed to make it happen, not realizing that the people I was talking to were either lawyers and/or backers of the companies that were in trouble. It was one of the toughest experiences I've ever had.

So what solved it? Was it negotiating, leverage; what?

Well, first of all, I created a plan. I created which then became known as the Dods Plan in the paper. I actually created a way to get the collateral, get companies around town, financial companies, to put up more money, so that we could have time to work out the collateral, and I could sell the collateral and pay back the depositors. But there were many lawyers—there were over twenty lawyers from—representing various groups, not to mention the Legislature or the political types that were heavily involved in it. And I went and I met with every one of those groups, and I met with all the depositor groups, and I met with all the ad hoc groups that had formed, and slugged my way through it. And then I went out and marketed the collateral down from shopping centers in Waianae, condominiums, homes. It was a very, very tough, hard project.

Walter Dods, Jr., with his wife Diane, have made significant contributions to benefit people and organizations throughout Hawaii – giving both time and money.

I first got involved in community service. I was a young person at the bank, just starting, and we were gonna change the name from First National Bank to First Hawaiian Bank. I was the new ad guy, I was in charge of doing that. And I had a short fuse. So I got a call from this gentleman who wants to come and see me. I knew the name. So he came into my office and he said, Hi, I'm George Ariyoshi. Didn't know him from Adam, never met him in my life. And he says, I'm running for lieutenant governor and I would like to ask you to become part of my campaign 'cause I understand you're active in the community. I've heard of you. I said, Thank you very much; I'm you know, flattered that you've heard of me. But just joined the bank, changing the bank's name, and I couldn't possibly do it; thank you very much. And he says, Oh, I understand; thank you. And he left. Well, ten minutes later, I get a call from Johnny Bellinger, who was about to become president of the bank, who was my boss. He said, I don't think you understand. He said, George Ariyoshi is a director of the bank; you are working on his campaign. And so I got drafted to work on George's first campaign. And we became the very best of friends. So I was just a worker on the campaign. I started as a, you know, a lowly worker on the campaign. But before the end of it, I became campaign chairman and ran the campaign. We hit it off. I loved his ethics, his integrity, his empathy for people, and we became—that's how I became a Democrat. It wasn't through any big party philosophy or anything else, initially. And so we became close personal friends, and have been lifelong friends ever since. So that was my first involvement. So then I ended up running all of his campaigns for governor, three campaigns for governor.

And later for Senator Inouye.

And then Senator Inouye. Now, again, how funny life is. When Ariyoshi became lieutenant governor—and this story gets into the sense of the political area now. I asked George only for one thing. I've never, ever asked for a political favor in all the years, and I think that's why I've been so fortunate in my political involvements. I've never asked for anything; never asked any board, any commission, or anything like that. But I had a TV newscaster friend, Jack Kellner; you remember Jack?

Sure.

And I wanted George to make him his press secretary. So I was lobbying—and Jack may not even know this story. But I was asking George to appoint Jack. And he says, That's fine, but there's this local girl who's Senator Inouye's press secretary who wants to come back to Hawaii. And I'm thinking of hiring her. And I cannot on public television tell you what I told the governor, but obviously, he was not for that idea. And George hired Diane Nose over my objections, and that's how I met my future wife. Fortunately, George didn't tell her the story 'til after we were married. So he protected me. But that's how I got involved. And so ironically, I would then end up becoming honored to become Dan Inouye's campaign chairman, which I've done for many years as well.

All through our conversation, I've sensed real competitive urge in you. I mean, sounds like you thrive on competition.

Well, my mother said, you know, the last one to the dinner table doesn't eat. It really starts when you're a kid. Sometimes you have it, sometimes you don't. But yeah, I am competitive. But I'm not competitive in the way that I'll step over somebody to get it. I've always been competitive in a way that I'll work harder than the next person to get it. And I think that's very important, even in politics. If you look through the last forty years, I don't think you'll ever find a story where I stepped on somebody's back to do something, or in public service. I just don't believe in that; I really don't.

Do you have enemies?

I'm sure I do. But I'm sure if you're successful and if you've tried to accomplish things, especially if you're involved in political campaigns, there'll be people who don't like you. I'm sure there are a lot of those.

But you do live on an island, and you do run into people over and over again.

Right.

So how do you handle yourself?

Well, I'll tell you; one of the nice things of getting old, you forget. I was at a cocktail party, talking to this gentleman for like fifteen minutes. And my wife came up to me, after and said, You don't like that guy. I said, I don't? She said, Yeah; don't you remember? I said, Oh, I forgot all about that. The nice thing about getting older, you kinda forget some of this; makes it a little easier. But no, I don't have any trouble around town at all. There are a few people who I can see that were on the other side, but even interestingly enough, sometimes a person that—if you're in a legitimate battle, the person on the other side, sometimes you become great friends.

Clearly, he has a great deal more to say. But the name of this program is *Long Story Short*. Mahalo to Walter Dods, Jr. – and to you – for joining me for another conversation on *Long Story Short*. I'm Leslie Wilcox. A hui hou kakou!

Sounds like relationship building is a specialty of yours.

I believe it in, very, very strongly. And I tell our employees at the bank—I'm no longer the CEO, but when I was, I told them that if you want to succeed in our organization, you have to go up two tracks. Other companies, you work one track. In our company, it's two tracks; your career path and your public service path. And a lot of people have trouble understanding that. I mean, that doesn't come naturally to a lot of people. If you're an accountant or a computer operator, you don't necessarily think that that's the right thing to do. But when you get involved in the public service path, you cross with so many other industries, so many other people, so many other attitudes, it makes you become a better computer operator, and it works. It really works.