

LONGstorySHORT

with LESLIE WILCOX



TITLE: Mark Fukunaga

LSS 1230 (26:16)

FIRST AIR DATE: 12/3/2019

Do you consider yourself a, a big risk-taker?

In business, you either grow or you die. I like to think even in life, you either grow or you die. You expand your knowledge, you, um, learn more about yourself, you try new things, or you die. And so...um, because everybody else is growing, so you're receding if you don't grow. And I think that is true of our business. So, you have to take risks. Anytime you grow, growth is risk-taking.

He continues to grow and innovate his family business, now in its third generation. Meet this Hawai'i executive next on Long Story Short.

One on one engaging conversations with some of Hawai'i's most intriguing people. Long Story Short, with Leslie Wilcox.

Aloha māi kakou. I'm Leslie Wilcox. Mark Fukunaga of Honolulu is the third generation Chairman and CEO of Servco Pacific. The family-owned business celebrated its 100th year anniversary in two thousand nineteen. It has grown into one of Hawai'i's largest privately-owned companies, with revenues in two thousand eighteen reported at 1.8 billion dollars. Servco Pacific is known in Hawai'i, Guam, and more recently, Australia, for its auto dealerships, with brands including Toyota and Lexus, and its home appliance sales. Consider the business's humble start: Mark Fukunaga's grandfather, Peter, an immigrant from Japan, put down a twenty five dollar down payment on a two-stall auto repair shop in the rural town of Waialua on O'ahu's North Shore. Mark Fukunaga was just four years old when his grandfather passed away in nineteen sixty. He learned about his grandfather's life when he read the transcript of a nineteen forties radio show that was recently discovered tucked away in a family safe.

My grandfather was Peter Fukunaga, and um, really an amazing guy. I mean, I...and I-I realize this belatedly, but he was just, um, an extraordinary, um, risk-taker, resilient, um, far-sighted, um, just an amazing guy.

Was he an immigrant?

Yeah, so he came over from Japan. Uh, he, uh, uh, was from the Hiroshima area. His father, my great-grandfather, apparently, uh, started off with some money. He apparently owned something like nine mountains up in the hills, and uh, uh,

unfortunately also liked gambling, so he blew it all, and uh, I think the sons were, uh, sent away to make money. So he emigrated at the age of seventeen, um, and came to Hawai'i, and-actually the Big Island, and um, took a job with one of the plantations; uh, a place called Kukuehaele Plantation up on the North side. So he was doing that, and then he got a job at Parker Ranch as a cook...I think probably a dishwasher and a cook, uh, and, and did that for a bit. And then he, um...I guess because he was sort of engineering-oriented, he, um, became what's called a powder, a powder man. He basically was the guy to blow up dynamite charges to create the flues...irrigation flues through the mountain. I think he was being paid twenty dollars a month, of which he would send ten back to Japan in those days.

And was he intending to go back?

He was hoping to. he was hoping to become an engineer. I think at a certain point he said, "You know, I-I really need to strike out on my own." So he moved to Honolulu after about five years on the Big Island. And all the time he, he used to carry a little English dictionary in his back pocket, so he was always trying to learn English. Um, he knew he had to learn English. He knew he had to learn about America, so um, he enrolled in Trinity Mission School. So he did odd jobs. He worked, uh, I think as a house boy, uh, and when he could he went to Trinity Mission School first grade 'cause he didn't know anything more than that level.

So he was willing to humble himself...

Yeah.

And, and risk a big move?

Right. At the age of twenty-two, he was in the first grade, first grade class, and...but he was a smart guy. So after a month, they promoted him to the second grade; a month later, third grade. So he went through six grades in, uh, in about, uh, six months, and then he, um, went to 'Iolani, and unfortunately, um, because he was so, I guess you would have to say driven, he drove himself, I'm sure he wasn't eating well or whatever, um, he ended up getting, um, tuberculosis. So he spent a year in Lē'ahi hospital. Before that when he was a dynamite guy in the Big Island, he had a...he fell, like, thirty feet. Almost died, broke both arms, so he was in the hospital there once. He caught scarlet fever on the Big Island. That put him in the hospital. So he, he was, um, you know, he had all these setbacks but somehow he always came back.

Servco Pacific CEO Mark Fukunaga describes how his grandfather, Peter Fukunaga, came back after recovering from tuberculosis. He set his mind on getting into automotive sales and servicing, but he had no experience in this area, so he knocked on the doors of all three Honolulu auto dealerships in nineteen nineteen, hoping to learn

the business from the ground up. Finally, one of them decided to give him a try based on his persistence.

So, he works there for about two months. Um, he was working on a car, and it unexpectedly, uh, pins him against the garage wall. Breaks...

Another setback?

Breaks a leg, so he's back in the hospital; this time I think it's Queen's Hospital. So he's recuperating, badly broken leg is, you know, it's pretty, apparently a really bad injury. And while he's in the hospital, he hears about this garage that is for sale in Hale'iwa, what was then Waialua.

A garage meaning a place where you get your car fixed?

Yeah, yeah. So it was a two-car repair garage; repair any make. And um, um, so he says, "Great." And he's got twenty-five dollars in savings. That's it.

That's amazing, since he, he was in the hospital for a, twice already.

Yeah, right.

Hmm, so he saved money, too.

So he actually reaches out to the, uh, seller and they strike a deal. And it's, uh, I think it's sixteen hundred dollars and twenty-five dollars, all he has in his pocket, is the down payment, and he makes it. So he seals the deal. He limps out of the hospital bed on crutches because not healed, and he goes out to Waialua and starts running this two-car garage, and that's the start of Servco nineteen nineteen. And uh, and apparently, so he gets this thing up and running, and then I'm reading, um, this transcript, and he says, "Then we faced a really bad depression." And I'm thinking, "Oh, the Great Depression." And he goes, "Yeah, the, things got really bad in nineteen twenty-one." And apparently there was a smaller depression then, and he said, "We were faced with bankruptcy. Everyone wanted to quit." And he said, "I just said no. We're gonna continue. I will, I won't get paid. I'll do whatever it can, we can to stay alive." And he struggled through that, and then, and then things got better in the twenties.

Even in nineteen twenty-nine with the, the real Depression?

Then he, he apparently, uh, so, again, a far, uh, sighted guy, and, he saw it coming so he started branching out into appliances. So he, he, he then started this business for, uh, electronics: Easy Radios and Easy Washers.

Mark Fukunaga's grandfather, Peter, took his two-stall auto repair shop and diversified the business to include home appliances, musical instruments, financial services, and car dealerships in Wahiawa, Waipahu, and later Mapunapuna and Honolulu. He married a local girl, and as his three sons became of age, they joined him in the family business.

They were, uh, led by his three sons, you know, my dad and two uncles, uh, George, Ben, and Tom. Eventually, um, Ben left to do his own thing, and it's George and Tom. And so they were a partnership that lasted, um, really thirty five years.

That's pretty amazing, too...

Yeah.

To have family working together, I mean, that can't be taken for granted.

Yeah, yeah, yeah. It uh, you know, they, like all brothers, you know, they had their ups and downs, but they always, they always found a way to work it out, and um, and they had very different views, you know, on how to run a business, which I think was probably healthy. So they always, I think in some ways challenge each other. And um, and so they, they continue to have the Chevrolet, uh, dealership, but then um, uh, my grandfather, in, uh, really at the tail-end of his life, he decided he needed another franchise, a international, foreign franchise, and he actually, uh, went to, uh, try to get Opel out of Europe, and luckily, in retrospect, uh, he got turned down, thank God. So he then said, "Well I, I gotta...maybe I'll go to Japan because I know they're building cars there." So, um, he, that's when he went to Japan, and he, um...there's an expression in Toyota called 'go to the source.' Genchi genbutsu, which is find out what you need to find out at the source. Don't rely on other people's words. So, he went to talk to the Tokyo cab, cab drivers and said, "Thinking of Nissan or Toyota to approach. Which car is better?" And the Tokyo cabbie said, "No, Toyota has a better clutch." And he knocked on Toyota's door, and they said, "Yeah, sure. We'll give you the distributorship." So, we actually started...we're one of the oldest distributors in the world. Toyota really grew from about sixty-five, and that's when the company really started to take off, but they had inherited sort of these other businesses, the appliance electronics business. My grandfather had started a finance business, became Servco Financial. Um, a music business: Easy Music. The second generation took all of that and they kind of went, you know, with, with this great success with Toyota and Chevrolet, then started really diversifying. So, um, they ended up doing everything. I, I don't think there is a business we haven't done. We, we, we built furniture: Hawaiiiana Furniture.

What's the most arcane business they've started or got into?

Oh, wow. Cosmetics. Door to door cosmetics. Pola Cosmetics, like the Avon lady. Uh, growing plants in Waimanalo, Evergreen Nursery.

That's a lot of bookkeeping.

Yeah, yeah.

And a lot of experimentation. Mark Fukunaga is the only child of George and Alice Fukunaga. His father, George, took over as Servco CEO from Mark's grandfather, Peter Fukunaga, in nineteen sixty. Mark says while growing up in Honolulu, he was sure of one thing.

Uh, one thing I was sure of, which was I was never going to join the family business. So, um, you know, you know, I think it's just, you know, stubborn.

They did expect you to, right?

Oh, yeah. Yeah, yeah, yeah. It wasn't all that explicit, but it was high...you know, it was heavily implicit that, yeah, you know, etcetera. Everything was presumed that I would do that, and I just kind of said, "Yeah, you know, I pretty much did my own thing." So, of course I majored in philosophy, political philosophy, which is totally inapplicable. And I kind of like school, so I figured what can I do to sort of prolong this so I don't really have to face having to like, break with the family and do my own thing, you know, so...out of all the things out there, I, I think being a lawyer would kind of preserve the optionality to do stuff, you know, government, uh, teach, private practice, nonprofit impact litigation. So, and three years of, kind of, law school is kind of...it's, it's intellectually interesting, but you can, you know...it's, it's not a bad life. So I did that for three years.

In Chicago?

Yeah.

After graduating from the University of Chicago Law School, Mark Fukunaga landed a job in New York City at a top-tier corporate law firm on Wall Street. He represented countries, including Brazil and Argentina, which didn't have the money to pay back their loans to the United States. Mark say he liked law school more than he liked practicing law. In nineteen eighty-eight, he returned to Hawai'i to fulfil family obligations...for a time, not as a career.

So, yeah, I had all this family, uh, expectation and you know, when you get the ripe ol' age when I, I, I think at that time I was thirties, um, I...Asian guilt, family obligation. I said, "Look." I told my dad, "Look, I know you always wanted me to work in the family business. I'll work for five years, and then after that I'm gonna do my own thing."

Because now you've repaid him for all of your raising.

That was the theory. Yeah, yeah, yeah. So I came back.

Did you see that you would enjoy it, or did you think it would be an, a total drag obligation?

Uh, a little bit of both. I thought it'd be good. You know, I mean it was, it was the identity of the family, so I thought it would be a good thing to learn that and to work with my dad, who was, you know, frankly kind of a workaholic, so I didn't really know him that well; as well as I, I, I might've on a, on a really personal level. So I thought, "Oh, that'll be good." And uh, but then afterwards I'd kind of find something else. So when I came back, uh, from New York, um, I was put in to kind of rotate through the company and do, you know, a bunch of jobs to kind of learn about. And my first job was in the appliance service department, and at that time, um, General Electric, which was our main brand...um, their refrigerators had a defect, and their compressors, the thing that cools it, were failing. So we had thousands of refrigerators that were failing full of food throughout O'ahu, and, um, I was, um, I was in that department, and it was, we were...

You were taking the calls?

We were taking the calls, and then pretty soon it was like, you know, we were, we were just dealing with this tidal wave of stuff. So, anybody who could do anything was doing anything. So, um...

That must've been the family food for the week or more...

Oh, yeah.

So that's, that was big money people were losing...

Yeah.

Rotting in their homes.

Right, right. So, um, we were taking these refrigerators full of food. Food was bad, and guess who got to clean 'em out. And...but it was...you know, I loved it. I was supposed to be there for two weeks. I ended up staying for like, four months, and they had to actually yank me out.

You liked cleaning gross food out of...

Yeah, it was...well that part wasn't so much fun. Although I did learn that if you need to take a really bad smell out of a refrigerator, best thing is fresh lemons.

Just squeeze it in there?

Squeeze it, and then wipe it all down with fresh lemon juice, you're great. Good to go.

After nearly five years of working for Servco, the company that his company founded and his father was running, Mark Fukunaga was at a crossroads with his career. Would he stay in the family business, or move on to a different path?

Sad thing is like on the fifth year, um, so I was already thinking, uh, what I was...whether I was gonna stay, whether I move on. But, um, we were in Guam, and unfortunately, he had a heart attack and died in front of me. Um, we were there on a trip because we had expanded to Guam as part of those forty-two businesses, and, um, unfortunately he died. So, uh, and my uncle, Tom, who was the other brother in the business...

So there were just two at that point?

Two at that point. Had terminal cancer. So, they ended up dying. You know, they're partners for life, and they were partners 'til death, to death. I mean, they, um, died within a year of each other. So, all of a sudden you have two people who are totally unqualified, um, my cousin, Eric, who's Tom's son; me, being George's son. We're like, "What are you gonna do?"

You're, you're not gonna leave. You're gonna stay the course, right?

Of course. Yeah, so, um, we took over.

What changes were made by you and Eric?

Well, uh you know, when we came in, we just, uh, we...we sort of saw what was there. It was like, you know, as I said, some forty odd businesses, um.

And were they doing well?

When they were acquired, or we entered into it, there was some sense because Hawai'i was, was still its own economy that was separate from the U.S. mainland. And I think, you know, we all saw it in the late eighties when Costco came, K-Mart came, and then the wave of national retailers, national banks, you know, B of A was here, everything. You know, in all kinds of parts of the economy had all of a sudden national and global competitors, and uh, it was no longer local to local, where you could match up.

It was not a time to be selling cosmetics door to door.

Exactly, yeah, so uh, it, it just kind of hit in a wave in that, that...right around nineteen ninety. And...and so when Eric and I took over in ninety-four, it was like, geez, this isn't

gonna work. And um, so we had to do some really tough things, you know, we, we, um....

Let people go.

We let some people go. Um, we shrunk, um, you know, so we sold, spun off, and closed, um, at that time thirty nine out of the forty-two businesses, and it was just one after the other.

And not from a personal standpoint, but from a professional standpoint, you were comfortable with that.

Uh, it was really hard, you know. I mean, uh, Servco is incredibly lucky to have a great board, and one of the board members, um, said to me, Dick Gushman, he said, "You know, if you, um...if you can't do the tough things, you have no business being a CEO. If you like doing the tough things, you're not a human."

And when you operate doing the things you do, you really have to be self-aware. You have to know yourself. What have you discovered along the way?

Oh gosh, um, you have to, you have to be able to forgive yourself for making mistakes, you know. That's probably the first lesson. You're gonna make a ton of mistakes. I can...if we had three more hours, I could go through all of them. Uh, but, but it's, it's that. It's being comfortable with making mistakes. I think that's a big one.

You know, um, when people talk about your company and the family, I mean, they may think, "Oh, they're in the car business. They've been in the car business for years. They've got it made." But it does...it probably doesn't feel like that, does it? Because the car business has changed so much, and is it a sure thing now? We're talking about all kinds of new transportation coming online.

Yeah, big time. It's totally different. I think every business out there is facing disruption.

Is that the biggest disruption for...uh, digital-related, internet-related?

I would say, I mean, it's particularly bad in the auto business in terms of, uh, the disruption we're facing, because I think we're facing four different ones, one is moving from brick and mortar to digital. But in addition to that, there's autonomous cars that will come here.

Where people wouldn't need to own a car...

Right.

They would just pick up a driverless car and take it.

Right, yeah. You've got sharing, Uber, and, and now we've launched our own sharing service, called, uh, Hui Car Sharing. So you've got sharing, the sharing economy, and you marry that with autonomous vehicles, and all of a sudden, do you need to own a car?

Does that phase you?

It's fascinating and terrifying because we don't know how it all is gonna pan out, how, how lucrative, you know, or profitable, you know, sustainably profitable it can be. Um, and...but we know it's the future. And even though, you know, frankly, some of that stuff disrupts our core business of selling and servicing cars, we know that's what customers want. So we're gonna...we...that's been our mantra for a hundred years. We follow the customer; following the customer, even at the possible expense of some of our business, but we know if we follow the customer, it's gonna be successful in the long run.

Uh, what's the fourth generation looking like?

Um, you know, we're lucky. I think we have some really, really talented, uh, what we call G-4's. The fourth generations. And, uh...

I didn't know there was a nickname for it.

Yeah, there's a whole...yeah, if you're in the family business world, there is, you know, G-1, G-2's, etcetera. But, um, no, we've got some really talented, um, people out there, and um, I think, you know, again, this was great counsel from another one of our board members, Warren Luke, runs a family business and he said, "You know, everybody in the family always worries about the family business, but you really have to worry about is, um, the business of the family." You know, how do you make sure that, um, younger generations are constructive, engaged, uh, productive members of society instead of living off dividends.

You mentioned your daughter might be interested in going into the business?

Yeah, I mean, you know, I'm slightly biased here. I think she's the best thing in the world. Um, and...

And you have one daughter. You're...an only child, just like yourself?

I have one. Only child; I'm an only child, which, which could be horrible. But she's actually a well-adjusted, giving, um, thoughtful, uh, unspoiled person. So uh...

And she's a millennial.

She's a millennial. Um, she, uh, graduated from b-school, just got out of Columbia, and is now working as a management consultant.

What was parenting her like as a, as a...when she was a child?

It, it, was, uh, uh, you know, um, completely unexpected. I, I didn't know if I was gonna be a good parent or if even I was going to like parenting, and it turned out, um, that was the best...hands down the best thing I've ever done. I love being a father, and uh, and uh, it was incredibly rewarding for me on all kinds of levels, but it was also influential. I mean, I, I became a different person from being, um, from being, uh, an all-in parent. You know, I learn how to be tolerant. I learn how to be patient. I learn how to appreciate curiosity and encourage curiosity, and become more curious myself because of my interactions with her. Um, so she made me a better person, yeah. She's, uh, she's terrific. You know, like some other folks in the family, interested in possibly joining the family business.

And what if one of the G's just could care less about transportation and cars but wants to do business? Then what?

Then I think that's terrific. I think, you know, every business, you know...any business this long reinvents itself, and we've reinvented, you know. We didn't...we don't do, we don't bake muffins anymore. We don't build furniture. Um, so every business reinvents itself. And um, I'm sure we will do...the next generation will reinvent the business again.

One of the businesses in which Servco Pacific still has the controlling stake is Fender Musical Instruments, makers of legendary guitars used by rock and roll artists like the Rolling Stones and the late Jimmy Hendrix. In two thousand seven, under Mark Fukunaga's leadership, Servco expanded its Toyota dealerships into Australia, which now account for half of its automotive business and its two thousand plus employee workforce. In two thousand eighteen, Mark was named CEO of the year by Hawai'i Business Magazine, and he continues to grow and innovate a sprawling and successful family business, founded for twenty five dollars in Waialua, O'ahu. Mahalo to Mark Fukunaga of Honolulu for sharing his story, and thank you for joining us for this edition of Long Story Short on PBS Hawai'i. I'm Leslie Wilcox. Aloha nui.

It-it's about being a custodian, a good custodian. It's not like, okay, how much dividends can we pull out of it? You know, and, and I think we all take the position that we...our identities are wrapped up in Servco, and that our role in the community is tied to Servco, so we better darn well be sure that Servco is a really good corporate citizen that does good things. Um, and we try to just...try to perpetuate that.

For audio and written transcripts of all episodes of Long Story Short with Leslie Wilcox, visit pbshawaii.org. To download free podcasts of Long Story Short with Leslie Wilcox, go to the Apple iTunes store, or visit pbshawaii.org.