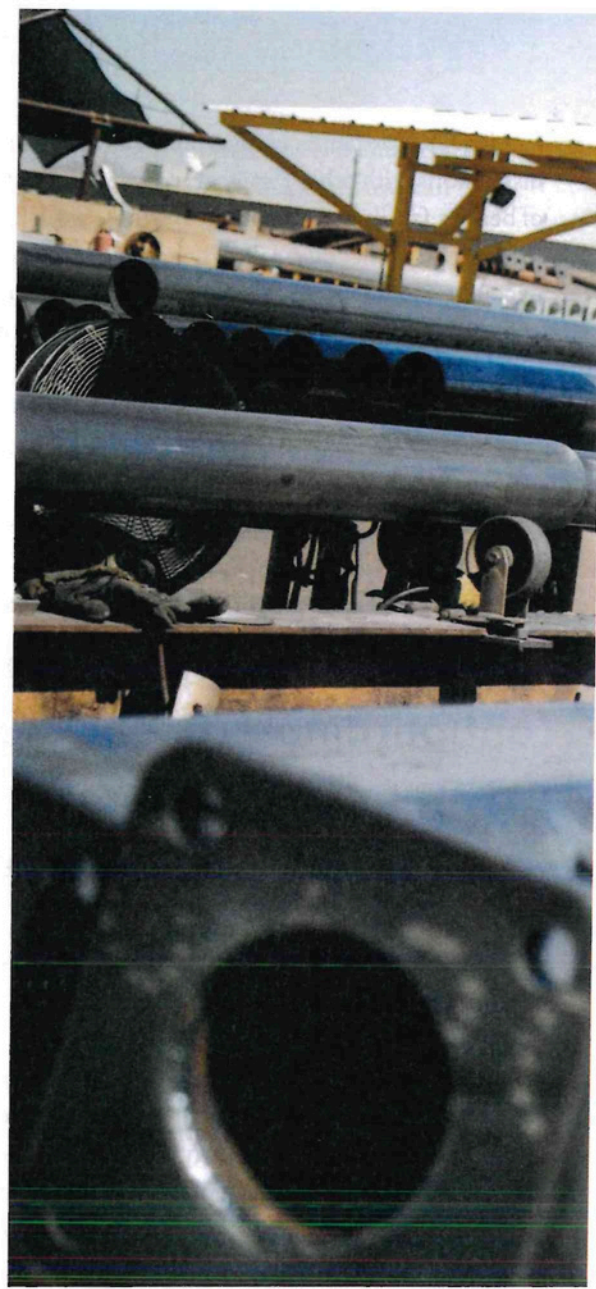


Reinforcing **FAMILY BONDS**

The Tottens have embraced education and governance to strengthen both their family and their business.

BY SARAH BRODSKY



Totten Tubes, a tubing distribution company headquartered in Azusa, Calif., once operated out of a single 8,000-square-foot warehouse. Today, this third-generation family business has 125 employees in five branches and generates about \$85 million in annual revenue. Five family members work in day-to-day operations, and a total of 13 are shareholders.

Growing pains led the Tottens to reconsider how they make decisions as a family, and they've worked to professionalize their governance. Today, they benefit from comprehensive family governance structures including a family constitution, family council and family office.

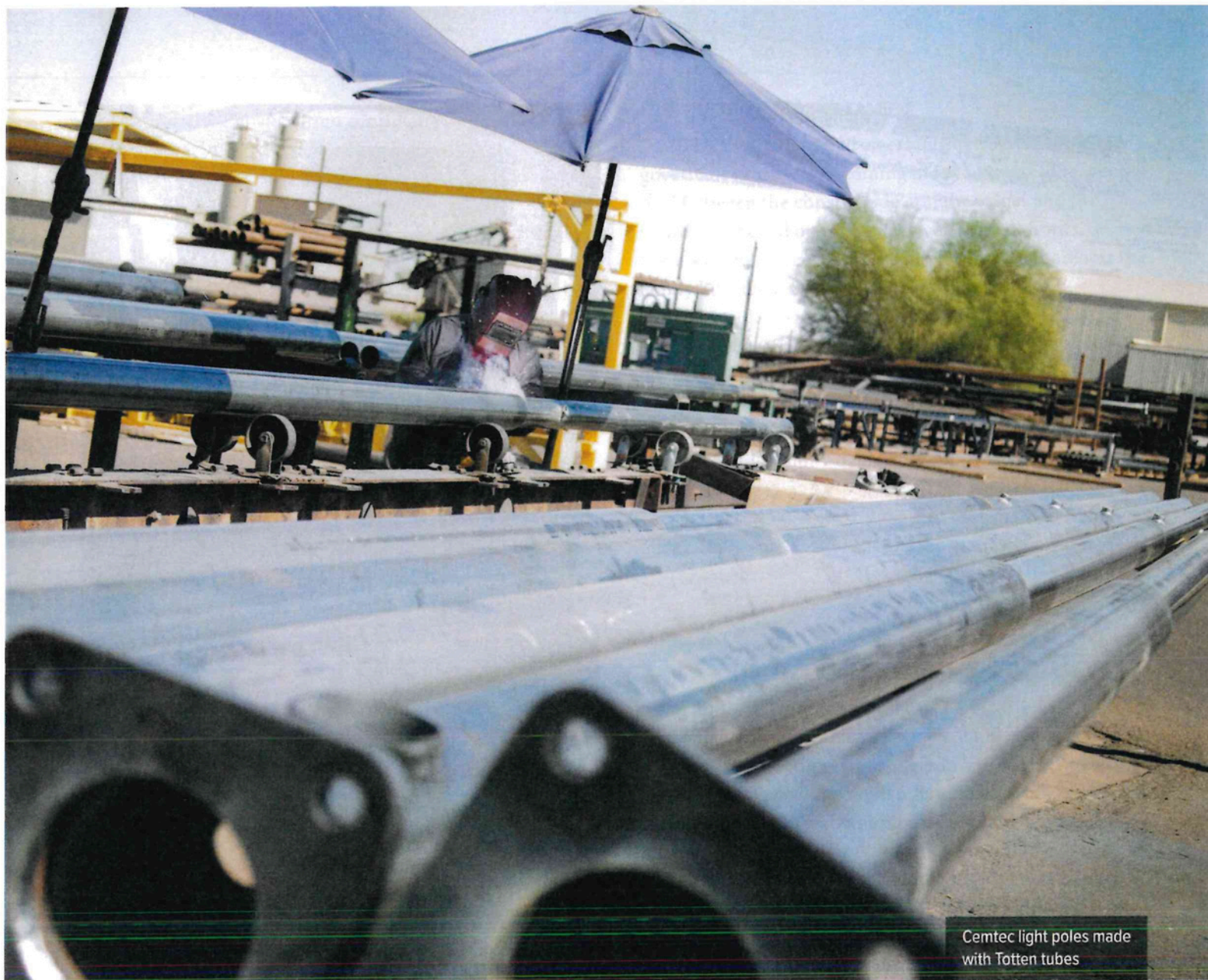
AN EARLY ADOPTER

Totten Tubes was founded in 1955 in Los Angeles by Mar-

vin Totten, who worked for U.S. Steel before establishing his own manufacturer's trade rep company with a partner. One of the lines he represented, Standard Tube, offered to consign him some welded steel tubing inventory in sizes that weren't otherwise available on the West Coast. Marvin started his distributorship with Standard Tube as a consignment partner and his brother-in-law as a silent partner.

"He was one of the first in the industry to stock square and rectangular steel tubing. And that's been our niche in the market ever since," says Dave Totten, chairman of the board and Marvin's son.

At first, the company had one crane, one truck and one saw for cutting, which threw off lots of sparks. The warehouseman also served as the truck driver. But the company



Cemtec light poles made with Totten tubes

thrived, and Marvin was able to buy out both of his partners and hire more workers.

Dave's son Paul, who serves as co-president and COO, describes Marvin as a generous leader who cared deeply about his employees.

"We have a company loan program. If you need money, we will lend you some money and you've got to pay it back, but there's no interest. And it's over six months. It's a program that he started because he knew employees could get into little cash crunches," Paul says. When a typist's car died, for example, Marvin lent her the money to buy another car so she could still get to work.

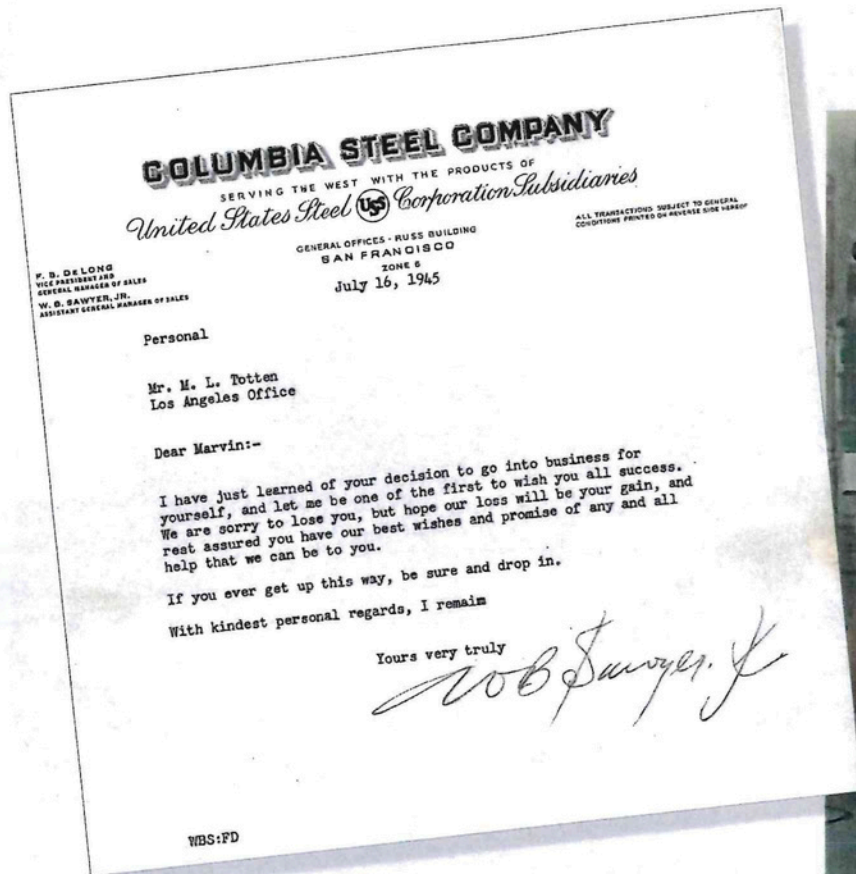
Dave was in high school when his father started the business. He and his younger brothers Jeff and Tracy worked there over the summers, packing orders and sweeping floors.

Dave went to college, participated in ROTC and served in the Army.

"After getting out of the Army, I had to find something to do and my dad made me an offer, so I decided I'd give it a try," he says. He first worked in the office doing inventory control, then moved into inside sales and handled orders that came in by phone. Later, he transitioned to outside sales, then rose to vice president.

When Marvin decided to retire, Dave, who was the oldest, became president.

"We didn't do too much in the way of succession planning. It was all basically up to our father, who made those decisions," Dave says. Now he ran the company with input from Jeff and Tracy, who worked in finance and sales, respectively.



Left: Letter to Marvin Totten from Columbia Steel Company.
Above: Marvin and Estelle Totten.

"He is just one of those 'still waters run deep kind' of guys," Paul says of Dave, "that just him being there is kind of a reassuring, authoritative presence. But he was never dictatorial. I think he always tried to build consensus with his brothers. I think they rarely did anything because two of three voted for it. It was always, 'Try to build consensus and if there's consensus we're moving forward.'"

As the family expanded, a tradition of formal holiday get-togethers hosted by Marvin and his wife kept everyone in touch with each other. Unsurprisingly, conversation often centered on steel.

The company continued to grow, opening branches in San Diego and Phoenix. In the late '90s, Totten Tubes moved to Azusa, doubling its warehouse and office space. In 1997, Marvin passed away.

Dave's two sons, Paul and Greg, who now serves as co-president and CEO, both joined the company and worked in inside sales for a time before shifting to outside sales. Paul opened a branch in Northern California, and Greg became VP of sales and marketing.

In 2006, Dave retired, and his brother Jeff retired soon afterwards. Tracy became president. He would be followed by Paul and Greg, who assumed co-leadership in 2016.

A CONFLICT SPURS BETTER GOVERNANCE

By about 2014, the once-cohesive Totten family had started to form fractures. Without the shared holiday meals to unify

them, the separate branches didn't spend as much time together socially and no longer saw eye-to-eye on the business.

Disagreements arose over hiring and compensation of family members. "Our second generation was just kind of knuckling it out and trying to grow the business and making strange personnel decisions around their children," Paul says.

The laconic communication style of the second generation didn't lend itself to easy resolution of disputes.

"We're kind of a stoic Scandinavian family and they weren't the kind to really work on their relationships. So, their relationships, consequently, can be kind of tense," says Sue Totten-Goltz, Dave's daughter and director of the Totten Family Office.

Plus, the business and the family had both expanded so much that informal decision-making became insufficient. Back in the day, Marvin and his sons would decide on the year's dividend during a round of golf. Now, the company was ready for more sophisticated governance.

They sought guidance from consultants, and Greg began participating in the Center for Family Business at Cal State Fullerton. Paul and Sue later became involved with the center too.

When Greg first learned about family governance, he felt intimidated by the amount of work involved and the necessity of convincing everyone to make changes. He wasn't sure they could all come together and create entirely new documents and processes. But little by little, they did.

"We have taken so many leaps of faith. We will hear from experts that these are the things you need to do to keep your family together, keep your business together. And we just do them sometimes, just diving in. And I would say that it has been successful. It has been the right thing to do," Sue says.

They came up with a list of values, which includes treating each other with love and respect, taking care of employees and remaining family-owned. And they wrote a family constitution. The constitution sets the parameters of their family assembly, in which everyone aged 14 and up has a vote. It lays out a process for resolving conflicts and includes their stock buy-sell agreement. It also specifies their employment policy for family members.

"It really states that family members of course will be considered for positions, but they have to be qualified. We prefer that they work outside the company for a couple of years before they're considered for a job. And they are going to get paid what the position would pay anybody, not an extra bonus because you're a Totten," Sue says.

"It keeps everybody's expectations in line and grounded with reality, and it makes sure that nobody gets underpaid either," Greg says.

They expanded the fiduciary board, which since Marvin's death had only had three members: his sons Dave, Jeff and Tracy. Now, two members from each of those three branches of the family served on the board, and they brought in an additional board member from outside the family.

Recently, the company changed its bylaws to allow more outside board members. In the future, the number of family members on the board could fluctuate depending on their interests and qualifications.

"What we're moving toward is one guaranteed spot for each family branch. And then you can also nominate members from your family. But they have to fit the criteria that we've developed for board members, which is expertise in different areas, knowledge of the steel tubing industry, so that we actually have people sitting there helping my two brothers who run the company make strategic decisions about the direction of the company," Sue says.

'THE BUSINESS OF THE FAMILY'

By 2021, the Tottens had an established system of family governance that was becoming more active as time went on. "Between the constitution and the values and the board, we started operating on two different fronts. So, there was the business of the family and then there was the family business," Greg says.

The outside board member suggested that they set up a family office. Sue, who was doing shareholder relations work for Totten Tubes on a contract basis and who had some familiarity with family offices from her career in fundraising for nonprofits, pitched the office as a central place to handle family operations and manage their real estate holdings.

She describes it as a virtual office that she runs mainly out of her home. She doesn't have a staff, so they outsource

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some functions to professionals.

"We have an investments committee of our family assembly, so we look at various investment opportunities. To date, we're not very diversified, but that's our long-term goal. We mostly have these real estate investments. So that's all kind of packaged in the family office. We also, through the family office, provide estate planning services, tax preparation, financial planning," Sue says.

The family council meets every six weeks on Zoom, and committees also have frequent Zoom meetings, but once a year the whole family gathers in person. The annual meetings started as one-day events but have since grown

into multi-day retreats — and they've taken the place of the holiday parties that once brought everyone together. The retreats always include a fun activity; this past year, it was a family Olympics on the beach. The family split up into four teams randomly to ensure the separate branches wouldn't just group together.

There's an educational component, such as presentations on the business and how steel is made. There are also talks by outside speakers on topics like communication.

The annual retreats are essential for nurturing interest from the fourth generation, who range in age from two to 27. None of them have assumed full-time positions in the company yet, although some of the older ones have done internships or part-time work. The Tottens hope that some of the fourth-generation members in their twenties or their third-generation cousins in their thirties might eventually join the company and take on leadership roles.

If that doesn't happen by the time Greg and Paul retire, though, the family faces the prospect of transitioning to an ownership group rather than an operating group, at least for a while. Then family engagement would be more crucial than ever.

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GIVING BACK

The family's philanthropic activities began when Tracy was president; he gave each of the family members working in the business a sum of money to donate and asked them to find good causes to contribute to. When Sue started working with Totten Tubes, she set up their philanthropic committee, which is now comprised of 12-15 employees.

They donate to organizations working on food insecurity, housing and disaster relief. They have toy, clothing and food drives, as well as volunteer days.

Through a separate international committee, they provide steel at nominal prices to Bridges to Prosperity, an organization that installs pedestrian footbridges for isolated communities worldwide.

“These are places with these huge ravines, and populations cannot get across the ravine to get to medical services or to education or to markets. So, these bridges literally change the lives of these populations,” Sue says.

And they started a donor-advised fund at the Pasadena Community Foundation to further their philanthropic efforts.

“Our goal was to get it to the point where it's endowed so that the interest that it produces is at least the equivalent of our annual budget for philanthropy. So that if we had a horrible year, we'd still have the funds. We'd either have funds to augment what we're already doing or that amount will cover what the company would've donated, had it been a good year,” Sue says.

The Tottens agree that the work they've done to develop their governance systems has been worth it.

“All these documents, all these areas that we've put energy into, have created structure for us that gives us the freedom to operate. They give us the freedom to be ourselves because we have the guardrails that we didn't create out of thin air,” Greg says.

“You do these things, you learn how to work together, you get to know each other, you break down the walls. So, we are very much advocates for these kinds of family structures,” Sue says.

Paul notes, though, that improved governance hasn't completely resolved the challenges of dealing with the company's previous mistakes. They have to watch out for potential conflicts of interest among shareholders that arose from the second generation's personnel decisions. “There were some hard feelings around those things that I think we've grown past, but we're left with the awkwardness of trying to figure out how to navigate those conflicts,” Paul says.

Realizing that it's better to establish robust governance before problems develop, they now help and support other family businesses through the Cal State Fullerton program that originally guided them. They're happy when families that have more recently created businesses learn from their experience.

“We're getting so much out of it, but we are also at the place where we're helping these younger folks and newer family businesses create things from the onset so they don't have to catch up later,” Sue says.



Totten family members, 2024

GROWING FOR THE FAMILY

The Tottens take pride in the loyalty of their employees, many of whom have been there for 30 to 40 years. “The best way of judging the culture is your employee turnover. And we have very little employee turnover,” Dave says.

The family credits the company’s benefits, as well as its profit-sharing plan, which annually sets aside an amount equal to a percentage of each employee’s salary in an investment account.

“For me personally, Totten Tubes has always felt like a backstop. It’s not something that makes me rich, but it gives me a sense of security that I know lots and lots and lots of people in the world don’t have. And I think that the benefits at Totten Tubes are an attempt to give our employees that same backstop,” Greg says.

Being able to have long-time employees mentor newcomers has helped with continuity. Earlier in Greg’s career at the company, he learned about sales and purchasing from the purchasing manager — the person who had received a loan from his grandfather to buy a car back when she was a typist.

As many of those employees approach retirement, though, they need updated ways to maintain institutional knowledge. They’ve been working on digitizing their processes and tapping into more of their available data.

They’ve also embraced new manufacturing technology and now have four machines in their laser department, which Paul spearheaded. While he says that the first laser was “a beast” to program, he’s happy with how it’s turned out. “We’ve had some hiccups here and there, but it’s been very profitable work for us,” Paul says.

Looking to the future, they’re exploring acquisitions, and they’d like to open new branches in the mountain states. They’d also like to expand the family’s real estate holdings and buy real estate at the branches where they don’t currently own property.

“We don’t want to grow for growth’s sake,” Greg says, “but we do want to grow as a vehicle to keep the family engaged.” ■

Sarah Brodsky is a freelance writer based in St. Louis. She has written for a variety of publications and outlets, including U.S. News & World Report, Buy Side from WSJ, CNET, CompanyWeek and Credit Karma.