

4 Takeaways From Taking Over a Family Business



Meghan Daniels Axial | November 1, 2018

Himmat Singh took over as CEO of [Circle of Life Home Care](#), a home care agency specializing in serving Native American communities, in January 2017. Himmat originally met Circle of Life founder Pat Yager as part of a search fund interested in buying Circle of Life. That deal fell through, but Pat and Himmat felt a special connection and ultimately Pat, who was looking to step back from the business, [offered Himmat the CEO role](#).

Himmat had grand plans to expand Circle of Life from personal care to skilled care, assisted care, drug and alcohol abuse programs, nursing, education, durable medical equipment, and more.

But it soon became apparent that there were much more basic issues to iron out first. “It’s been a challenging road, in part because of complex family dynamics, nepotism, and cultural nuances,” says Himmat. Pat Yager had hired family members in key roles and had run the business for close to 10 years without an understanding of the company’s income statements or balance sheet. Pat was committed to serving the often underrepresented Native American community, and her passion and hard work had largely made up for her lack of business acumen — Circle of Life was a \$3 million EBITDA business with 20 locations across 7 states when Himmat took over — but it was clear the current operational model could only sustain so much growth.



Pat Yager in the early days of Circle of Life

Himmat spent more than a year restructuring the billing, accounting, payroll, and HR capabilities, as well as building an online and social media presence for the company, in the hopes of building a foundation to support an aggressive organic and inorganic growth strategy. The business’s revenue in 2017 was \$27 million with a projected revenue of \$38 million by 2021. Growth was not the company’s priority, but cleaning up operations and reengineering business processes nevertheless helped EBITDA grow almost 20 percent and sales 10 percent.

But then Pat Yager unexpectedly died in June of this year. Her will specified that the business, which she owned in full, be sold. Now, Himmat is working with the company’s investment bank, Vertess, to manage the sale process.

Pat’s sudden passing has not only jump-started the transaction process — something she and Himmat had discussed vaguely over the past year — but has also forced Himmat to reflect on his time with the company and some of the challenges that have come with joining a family business as CEO without ownership privileges. He shared a few of the challenges and lessons learned with MMR.

1. Handshake deals need to be formalized:

When Himmat came on board as CEO, Pat offered him a 3% equity stake in the business. “We shook hands on it, and she said ‘This is 3% right now, you’re vested immediately.’ She didn’t necessarily understand vesting, but she basically said, ‘You get this to join.’ But we didn’t sign any paperwork at that point.”

Himmat eventually drew up an agreement, which Pat signed. “But if I hadn’t, of course there would be nothing to prove our understanding,” he says. “Things should have been ironed out from the beginning.”



Himmat Singh and Pat Yager at a Powwow

2. Family dynamics impact strategy:

Himmat had [engineered successful turnarounds before](#), notably taking an India-based manufacturing company from bankruptcy to profitability, with an 80% growth in sales over the course of a year. He’d developed effective management strategies based around transparency and mutual trust.

But at Circle of Life, the family dynamics were at times so toxic and complex that Himmat didn’t feel able to put such strategies into place. “For example, I never introduced an org chart,” Himmat says. “Typically, that would be the first thing I do, so that everyone knows who is responsible and accountable for what.” But at Circle of Life, Himmat had to keep some of Pat’s family members on the payroll despite the fact that they were detracting from the business and at times even sabotaging systems implementations.

Himmat looked at alternate ways of building trust and earning credibility. He recognized that leaders must be accepted first and so he focused on nurturing relationships with office managers and staff and gaining traction from little strategic and psychological wins.

3. It’s hard running someone else’s baby:

Circle of Life is a deeply mission-driven company. Pat Yager had grown up on and off Native American reservations and seen how health issues could devastate communities like hers. Not only does the company address the needs of its client population, but it also serves the Native American community by providing high-quality employment opportunities to a population that is perpetually un- or underemployed.

Pat’s passion and the opportunity to help solve these pervasive social issues is a large part of what drew Himmat to the company in the first place. But joining as CEO, rather than buying the business, came with its fair share of challenges. While Pat was no longer in charge, she and her family were still deeply entrenched in operations “There was always a bit of a power struggle,” says Himmat. “I didn’t have the license to make radical changes immediately that I would have if I’d bought the business outright.” This dynamic forced Himmat to get creative in how he introduced changes and to be very deliberate about getting folks on board. In some ways, moving slower worked to Himmat’s advantage and ensured that he got the necessary buy-in from everyone in the business.

4. There’s a lot left to do:

The past year has been an opportunity to streamline operations and build a foundation for future growth, but Himmat hasn’t even touched many of the projects that originally drew him to the business — pursuing acquisitions, expanding the care models, and more. “There’s so much to do and in some ways the journey has just begun. Given our close personal relationship, I feel an obligation towards Pat to move things forward and keep her mission flourishing. While I am open to moving on, I’m also keen to staying on if the right investor or fund or family office comes in and wants to work with me. I think that would be a great opportunity on both sides. I have worked very hard in getting the company ready for its new life and while Pat built a remarkable company and put us on the map, we still have so much to do.”