THE ACADEMY OF ELECTRICAL CONTRACTING

PAPER PRESENTED BY FELLOW
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FAMILY MATTERS: DON'T LET ENTITLEMENT AND NEPOTISM DESTROY A FAMILY BUSINESS

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Running a family business comes with a unique blend of emotional bonds, shared goals, and, unfortunately, potential pitfalls. While familial ties can offer trust, loyalty, and legacy, they can also open the door to entitlement, nepotism, and interpersonal conflicts that risk unraveling both the business and the relationships that fuel it. When brothers, friends, co-workers, and owners find themselves navigating these waters without clarity, fairness, and structure, the result can be a dysfunctional system where business and family both suffer. This paper outlines the complications that can arise in such situations, with a focus on the importance of merit over entitlement, the value of varied skillsets, and the dangers of unequal contributions masked by equal pay.

Connelly Electric's History

I believe it is important to share our history in hopes that others may see parts of themselves reflected in their own stories. Connelly Electric was founded in 1979 by my father William T. Connelly Sr. from the basement of our childhood home. He was joined by my brother Bill on day one and about a year later my brother Joe joined the company. My mother Patricia Connelly was also working for the company at this time. In 1986 I joined the company after graduating from Marquette University. Unfortunately, my father passed away from pancreatic cancer June 30, 1989, at the age of 54. In 1991, my younger brother Brian joined the company after graduating from Marquette University as well. At this time, Connelly Electric had about 15 employees (one-third being family members) with revenues of approximately $1 million.

In the early 1990's, after the passing of our father, my brothers and I purchased the company from our mother. We immediately followed textbook business practices and laid out a solid foundation for the company to move forward successfully. Buy/Sell agreements, Employment Agreements, Business Evaluations, and Insurance Policies were put in place. Important business relationships with Accounting, Banking, Bonding, and Legal partners were replaced and solidified. For twenty years after our father's passing, each family member had different but equally important roles. Together, my mother, three brothers, and I worked tirelessly and did whatever it took to become a $67 million company with over 150 employees in 2008. What could go wrong?

One of most challenging times for Connelly Electric was during and after the great recession of 2007 – 2009. Like all companies we had to dig deep and work just as hard, if not harder, than we had in the past. It is during this time when the cracks in our foundation presented themselves. Due to the growth of the company and the strain of the recession, our roles as employees and owners became more complex and demanding. Frustration, resentment, and lack of respect between owners became more obvious. We met with consultants and other professionals in an attempt to understand and define each brother's role and to respect professional boundaries. We all agreed that we would make greater effort to do so and keep the company moving forward.

The Myth of Equal Ownership, Unequal Contribution

In a typical family-run business, ownership is often divided equally for the sake of fairness. However, equal ownership does not always mean equal contribution. The imbalance becomes glaring when one owner shoulders most of the operational weight, while others begin to lose interest in the business. In our scenario, I found myself holding the business together—managing staff in all departments, overseeing day-to-day operations, and making key decisions. Meanwhile, two brothers, who once played pivotal roles, now had one foot out the door. Their time and attention were split, their drive diminished, yet they continued to draw salaries and take equal distributions from the profits.

This created resentment and demoralization, not just for me, but also for another brother and employees who noticed the imbalance. In any workplace—family-run or not—compensation tied to title rather than performance can lead to dissatisfaction and declining morale. It discourages high performers and fuels a culture where coasting is tolerated. For a business to thrive, especially one built on personal relationships, compensation must reflect value and effort, not lineage or history.

The Danger of Nepotism

Nepotism, when left unchecked, becomes the silent killer of meritocracy. While it is natural to want to see family members succeed, placing individuals in roles they are neither qualified for nor committed to can hurt both the person and the business. It breeds a sense of entitlement (i.e., " I was here when this company started" or "I was here before you") and erodes the principle that roles must be earned, not handed down.

At Connelly Electric, as years passed with continued success, there was a notable contrast between owners who worked in the trenches and those who assumed titles with minimal input, accountability, and responsibility. Long-time co-workers found themselves reporting to a less interested family member simply because of their last name. Over time, this led to frustration and a toxic work culture where loyalty to the family took precedence over competence and contribution.

Recognizing and Valuing Different Skill Sets

Every person brings something different to the table. In a well-functioning family business, recognizing and utilizing different skill sets can be a major strength. At Connelly Electric, three of the four brother-owners, for example, possessed solid electrical/mechanical skills, and enjoyed building relationships with clients and employees. My strengths were vision, strategy, operations, and finance. Problems arise when these roles are not clearly defined, or worse, when individuals are placed in positions they are ill-suited for simply because of family dynamics or hierarchy.

In our case, I did not have the tenure, and had to fight to maintain balance, often stepping into multiple roles to fill in the gaps left by disengaged siblings. This multi-hat juggling is unsustainable and led to burnout. Without a structure that supports the right people in the right seats, even the most well-intentioned businesses collapse under the weight of misplaced roles and underappreciated talent.

It is crucial to conduct honest assessments of strengths and weaknesses, and to be willing to hire outside the family if necessary. Two examples of this as Connelly continued to grow were:

- An Electrical Engineer hired to manage our Engineering and Design/Build Department

- An Electrical Engineer hired to manage our Estimating and our Preconstruction Department

Both of these individuals possessed the skill sets that none of the owners had. A family business does not mean the workforce should be limited to family. Sometimes, the best thing a family member can do is step aside or adapt to a different role where they can succeed without dragging down the business.

Age, Authority, and the Illusion of Control

Age is often mistaken for wisdom, especially in family businesses. Older siblings or relatives may automatically assume leadership roles, even if they're no longer fully invested, effective, or responsible. This false sense of control can stunt growth, innovation, and morale. Meanwhile, younger, more driven members may be met with resistance, condescension, or lack of support, simply because of the year that they were born.

But age should not determine authority—capability should. In our situation, I became the de facto leader not because I demanded it, but because I earned it through commitment and results. Unfortunately, without official recognition and respect from my siblings, my passion and drive became diminished.

This kind of power vacuum creates tension. The ones who stay engaged become frustrated, while those with the title but little engagement were still involved in making decisions based on misplaced pride. A successful family business must be willing to evolve with time and recognize that leadership is not about age but, rather, about value, clarity, and vision.

Redefining Fairness in a Family Business

"Fair" doesn't always mean "equal." In a family business, fairness should be defined by contribution, not just relationship. Equal pay for unequal work isn't just demoralizing—it's destructive. The perception that some are carried while others are carrying the business creates divisions that can fracture not just the organization but also the family itself.

To counteract this, it's essential to establish formal agreements, manage role expectations, and performance-based rewards. Family members should be treated as employees—subject to the same scrutiny and standards as anyone else. Family meetings should involve honest conversations about workload, compensation, and succession planning. These discussions can be difficult but avoiding them only delays inevitable conflict.

When handled correctly, a family business can be a legacy that builds generational wealth and purpose. But it can just as easily become a cautionary tale when entitlement overshadows effort, and nepotism outpaces merit.

The Next Generation

It is estimated that 30% of businesses transition to the second generation, only 12% survive to the third generation, and a mere 3% make it to the fourth generation (Astrachan, 2003). Many of the challenges outlined above are direct contributors to this statistic – one which we are determined to not become a part of. Because of the experiences my family has had, we are in the process of employing key changes within Connelly Electric to ensure that our Third Generation, Senior Management, and Executive Management will have the tools to continue the success and culture of our company for decades to follow.

The following important and obvious changes should have been created and implemented early on in our success:

- Hold Each Owner Accountable
- Establish a Board of Directors
- Engage with a Family Business Peer Group
- Meet with Professional Business Consultants and Coaches when needed
- Hold Formal Quarterly meetings with Owners and Executive Management
- Implement Annual Ownership and Employment Evaluations

A few of these suggestions were attempted over the years but were not embraced by more tenured siblings. These simple changes would have been extremely helpful in creating a method for developing realistic roles, responsibilities, compensation, and expectations, and improve succession planning at Connelly Electric.

It is imperative to establish boundaries and business policies that treat everyone—family or not—as professionals. Roles should be assigned based on skill, experience, and drive, not birthright. Training, performance evaluations, and accountability measures must be implemented and enforced uniformly. Without these systems, a business can easily become a breeding ground for conflict rather than a place of shared success.

To protect both the business and the family, hard conversations must be had, expectations set, and performance rewarded over pedigree. Families must decide whether they want to preserve their legacy or protect their egos—because too often, trying to do both means losing both.

In Conclusion
Family businesses carry the potential to be deeply fulfilling ventures. The foundation of trust, shared vision, and long-term commitment can be unmatched. But those same advantages can turn into liabilities when entitlement, unearned compensation, and lack of role clarity are allowed to fester. In our story, various family members rose to the challenge but faced burnout and frustration due to the imbalance of effort. Fortunately, we now have the experience, hindsight, and some may say wisdom, to leave the company in a stronger position than ever before.

In 2025, Connelly Electric will have projected revenues of $250 million with over 500 employees, making us one of the largest family-owned electrical contractors in Chicago and the Midwest, an incredible accomplishment that I am very proud of.

What I’m most proud of—and truly grateful for—is that our family has remained incredibly close. Even as co-owners navigating the challenges of a family business, the four of us kept those tensions separate from the rest of the family—and through it all, our bond never wavered.

About Kevin Connelly
Kevin is the CEO of Connelly Electric, which was founded by his father in 1979. After the passing of his father in 1989, he grew the company alongside his three brothers, bringing Connelly Electric to the forefront of the electrical construction industry. Kevin graduated from Marquette University with a Bachelor of Science in Business Finance and completed his IBEW Local 701 Apprenticeship in 1989. Over the course of his 40-plus-year career, Kevin has brought his strategic vision to life through a progression of leadership roles, where he now remains committed to preserving and building upon his family’s legacy.

Kevin’s involvement in the industry includes his various positions in the Northeastern Illinois NECA Chapter and committees:

- Chairman DuPage County Division (3 years)
- President (3 years)
- Board Member (12 years)
- IBEW Local 701 Trust Funds Trustee/Chairman (23 years)
- IBEW Local 701 Labor/Management Committee (20 years)

Kevin was honored to be elected into the Academy of Electrical Contracting in 2018.

In addition to his involvement in the electrical industry, Kevin has been a Board Member of the American Heart Association’s Hard Hats with Heart since 2018 and is currently Co-Chairman of the 2025 Hard Hats with Heart campaign.

Kevin has been married to the love of his life “Princess” Stacey for 34 years and has three beautiful children, Kathryn 30, Trisha 27, and Dylan 22. Trisha and Dylan are currently working in the family business.

References:
Joseph H. Astrachan, and Melissa Carey Shanker. "Family Businesses' Contribution to the U.S. Economy: A Closer Look." Family Business Review 16.3 (2003): 211-9. Print.