

# Spotlight on Success

## Connelly Electric, Inc. — Wired for Success!

**C**onnelly Electric, Inc. was founded in 1979 by William T. Connelly, Sr. Like so many other family businesses, the initial operations were conducted from the basement of his home, where he and his two oldest sons William, Jr. and Joseph contracted with general contractors to perform electrical services for commercial and residential builders. William's wife Patricia Connelly kept the books, paid the bills and handled the payroll. Through sheer hard work and determination, and a commitment to developing long-lasting relationships, the business was a success.

In 1986, another son, Kevin joined the Company after receiving a finance degree from Marquette University. Over the course of the next several years, the Company continued to grow with revenues approaching \$1 million.

In 1989, William T. Connelly, Sr. passed away from cancer. Almost overnight, three brothers and their mother were forced to cope with many aspects of operating a business, which they never had to deal with before.

Quite amazingly, the family pulled together and, not only kept the business on track, but continued to grow the business. In 1990, the fourth son, Brian joined the Company.

Today, each brother occupies a different position on the organizational chart.

In 1991, the Company purchased a 6,800 sq. ft. office building on Irmen Drive in Addison, occupying one half the space and renting the other half. Within a year, the Company had outgrown its new office facility but managed to stay put through 1997 as a new building was being constructed.

In 1998, the Company built a new 38,000 sq ft. building, occupying 17,500 sq. ft and renting the remainder. Revenues continued to increase, exceeding \$8.9 million in. "It's been amazing," admits Kevin. "I never thought we'd be this big of a Company — four years ago, we celebrated when we signed a \$500,000 contract, the single largest contract in the history of Company. We look back and kind of laugh at that now because those are normal contracts for us these days."



### William Jr., Brian, Patricia, Joe, and Kevin Connelly Connelly Electric, Inc.

*Client since 1998*



"In 1999, revenues exceeded \$12 million. Our compound annual growth rate has been over 28% for the last five years. We are projecting \$16 million for the year 2000 and I'm convinced we'll be a \$20-30 million Company in a few years. We have great employees who are committed to the success of the Company. Without them, we wouldn't be where we are at today."

The rise of Connelly Electric hasn't occurred without hitting a few bumps in the road. The Company learned quickly that estimating contract costs on large contracts was difficult and that managing the actual contract progression was even harder. Projects with a 20% margin in the bidding process were coming in much lower. Cash management became critically important as the company extended more and more credit to customers for projects in process. "Things seemed to be out of control," says Kevin. "Everyone was starting to ask questions, from the bonding agents to our bankers. At the same time, we were continually asked to bid larger projects."

"Towards the end of 1998, we made a change in our accounting firm to Mowery & Schoenfeld, LLC. This was hard for us. We had been using the same accountant my father used when he started the business."

"I think it has been a very successful transition," says Keith Schoenfeld. "I can't tell you how many times I've seen situations like this before. The financials indicate that they are having a good year, but the line of credit is maxed out and there isn't any cash to pay the tax bill. The owners can't sleep and nobody knows what's wrong."

"There comes a time in most growing businesses where they outgrow the bookkeepers and local attorneys that they have been using since the business was started. There is a definite need for sophisticated proactive advice, more oversight and monitoring".

"It's been a track meet ever since we've walked in the door. They were a \$10 million contractor using QuickBooks® without an integrated job cost estimating and tracking system.

Kevin quickly pointed out that a new accounting system was desperately needed."

"Together, we've put some big hurdles behind us. In the past year, we've implemented a new accounting system with integrated job costing and new estimating software that will provide tremendous benefits towards project management, and the overall management of the Company. We

have worked extensively with the Company in getting our arms around contracts in process. We meet quarterly with management and the project managers to review contracts in process and accounts receivable. We discuss the estimating process, change orders, billings, profitability and overall status of virtually every job. It's too easy to go into a tailspin in their industry. One bad job could have a severe impact on the Company. I've seen it happen."

"We assist in closing the books on a monthly basis so that the interim financial statements are accurate and can be used confidently in measuring the financial performance of the Company. Tax planning is done

throughout the year. We try to avoid surprises. Everyone knows what to expect."

"We introduced ourselves to their attorney, banker and bonding agent. We want to work closely and communicate regularly with all of them. It's in the best interest of Company and all the shareholders. As a team, we're on top of their individual estate planning, retirement planning, risk management and college education savings plans."

"I think it's an incredible success story," says Keith Schoenfeld. "Each family member plays a different but equally important role in the day to day operations of the business. They have good business sense and are entrepreneurs which is evident with the continued expansion of the design/build division and start up of the data-com division."

The Company is poised for significant growth over the next few years. Things are really starting to come together. This is one Company that may reach its full potential. ❖



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