Mini-Case Study: National Van Lines

by Adria L. Scharf, PhD

Rutgers University School of Management and Labor Relations

Piscataway, New Jersey

November 2021

Abstract: This mini-case study examines employee share ownership at National Van Lines, where an Employee Stock Ownership Plan (ESOP) provided a family-run business a succession plan that ensured the continuation of the company and protected employee jobs. Just one-third of family businesses successfully transition from the first to the second generation of ownership and only 12% survive into the third generation. At National Van Lines, the ESOP has made possible the company's fourth generation in continuous operation. The mini-case study also examines the wealth benefits of the ESOP for employees and the company's response to the 2020 pandemic downturn.

National Van Lines was founded in 1929, continuing a family business that had started years earlier as a one horse and wagon moving service. Maureen Beal, longtime CEO who retired in 2019, was the granddaughter of the founder and the third-generation owner within her family.

To Mrs. Beal, National Van Lines was always at its heart a company that cared about its employees and where employees in return cared about the company.

The moving and relocation company based in Broadview, Illinois, has agents in 48 states and service partners around the world. "If you want to move from here to there over state lines, we're kind of the general contractor of that move," explains Vice President of Finance Gerry Mundt. Some of their customers are individuals. Others are institutions including university systems. More than half of the company's business is conducted with the military.

A significant number of the 140 employees are hourly clerical and administrative or back-office employees. The Employee Stock Ownership Plan (ESOP) launched in 2011 as a succession plan that enabled Mrs. Beal and her brother Ron to cash out—while protecting employee jobs.

Sharing Wealth

How much wealth are employees building for retirement through the ESOP? Employee ESOP account balances top out at about $90,000 for longtime senior employees. An employee earning about $35,000 per year or approximately $17 per hour who has been employed since the start of the ESOP would have just over $27,000 fully vested in his or her account in 2020.

While these balances may seem modest, "people at the lower level of our hourly scale…they get a free retirement benefit. Most of those people haven't started or don't have the means to contribute to the 401(k), or not much," says Gerry Mundt. For their workforce, an advantage to the ESOP over the 401(k) is that "unlike your 401(k) where you have to put your own money in, with the ESOP you just have to show up for work and you get money in your account."

Maintaining Jobs

Maureen Beal and her brother Ron's reason for selling their shares to an ESOP rather than to an external buyer had everything to do with how much she and her family cared about their employees. Mrs. Beal told financial advisor Mary Josephs in a 2019 interview:

> "The ESOP realized a dream our family had since its founding, because we have always considered our employees as family. … Nothing makes me more pleased than knowing they have the opportunity and power to continue our company after I'm gone."

This ESOP company's fundamental commitment to its employees faced a test after Mrs. Beal retired, when new CEO Tim Helenthal confronted the unprecedented economic downturn brought on by the covid19 pandemic.

As Gerry Mundt puts it:

> "On March 13 when the world changed forever, our CEO's main focus was 'How do I keep everybody in this employee-owned company employed if our business gets cut in half?' We

> had no idea what was going to happen. Whereas a number of companies furloughed or jettisoned people, we tried like heck not to do that and we were successful."

Fortunately, the moving business rebounded a few months later. Still Mundt summarizes:

> "I think what happened in spring 2020 is a perfect example of what employee ownership means, when the first thing the CEO thinks of is: 'We're an employee-owned business. I need to protect employees.' In practice it's very meaningful. If we were not employee-owned I think what happened in 2020 might have been different. Leadership might have said, 'we have to furlough this group of people for two months.' We had an employee ownership mentality. I'm not sure whether a public company or a company that was owned by private equity would have made the same choices."

Just one-third of family businesses successfully transition from the first to the second generation of ownership and only 12% survive into the third generation. At National Van Lines the ESOP has made possible the company's fourth generation in continuous operation.