

Chapter Three

Rebecca J. Oatsvall
Elizabeth K. Yaros
Meredith College

THE PRESENT

Independence can be a wonderful thing, but it can also be a bit overwhelming. PS was trying to remember all the things she had learned many years ago in college about personal financial planning. Wait a minute, she never took that class! At what should be an exciting time in her life, she was confused and didn't know where to start. She was financially stable, healthy, and her life was filled with promise. She just had to choose her next career.

CHAPTER ONE – EARLY CAREER

PS graduated from college in 1966 with a degree in English Literature from Washington University and immediately took a job with New England Telephone Company. She enjoyed living in Boston and enjoyed her job. Over the many years of her employment, New England Telephone became NYNEX, then Bell Atlantic Corporation, and PS was with them through all of these changes. Subsequent to her leaving the company, Bell Atlantic Corporation merged with GTE Corporation to become Verizon Communications. Her first assignments were in marketing where she was writing up market research study results. Her background in liberal arts and English prepared her well for the job and she enjoyed reading about the ways that the company and the telecommunications industry were changing.

By 1970, computers had become very important and she had developed an interest and expertise in computer systems. Over time she found herself becoming increasingly interested in the technical side of the telecommunications industry, working in data base design and eventually becoming Senior Systems Analyst. In 1974, she was promoted to Manager of Service Order Technical Support. Her technical expertise got her the job, but didn't fully prepare her for the problems associated with supervising dozens of people. In this position she found herself spending most of her time dealing with personnel issues and it was necessary for her to learn about human resource management techniques and laws. PS had expanded her knowledge base and she now knew both the technical and the human side of the telecommunications field. PS remained in this position for several years and her responsibilities continued to grow.

THE TELECOMMUNICATIONS WORLD CHANGES

In 1984, PS's professional world was about to change radically because of divestiture. "A divestiture occurs when one or more companies are split from a parent corporation, often by government order. The divestiture of AT&T was so large and unprecedented that it became known as simply 'Divestiture.'" ("Bell Atlantic: Former Baby Bell") In 1982, the US Justice Department and AT&T signed a settlement agreement that ended the lawsuit against AT&T that was begun in 1974. In 1974, the Justice Department accused AT&T of anticompetitive behavior and filed an antitrust lawsuit that sought to break up the Bell System. A lengthy trial was halted when AT&T accepted the government's proposal in early 1982. (See Appendix A for key dates in this lengthy process.) This agreement required that AT&T divest itself of local exchange companies (Betts).

Divestiture occurred January 1, 1984, and PS was recruited into a group whose mission was to plan the divestiture and the merger between New England Telephone and New York Telephone, two of the companies involved in the massive reorganization. PS' group was to provide computer systems support for the unregulated parts of the business. Throughout this period PS was not afraid of losing her job, as many other employees were, because the break up of AT&T was providing her and her group with lots of work. The two companies had redundant systems and there was a need to put company-wide systems in place. PS's knowledge of human resources, along with her technical knowledge, put her in a unique position and she was promoted to Director and charged with developing a strategic plan for human resources in the restructured company. Over the course of the next few months, PS researched various human resource options and recommended that the firm would save money by bringing in a computer software package to manage its human resources. The computer package that was implemented was PeopleSoft. She soon became the primary contact for human resource software within the newly merged company. Implementing PeopleSoft in a telecommunications firm had some unique requirements and PS developed a reputation for being extremely knowledgeable in this niche area.

One result of the merger was PS's appointment as Director, Human Resources. This was a three year position and the job site was moved to White Plains, New York. The company had a program that included a monthly stipend for temporary jobs so that employees could maintain their permanent homes in one city while their work was in a different city. PS spent four days a week in New York and then had Friday through Sunday at her home in Boston. After PS had been serving in this position for two years, the team was moved to Manhattan, New York, and PS was given the option of living in Manhattan or commuting from Boston. Both she and the com-

pany benefited by her choice to live in Boston since she could see her family, easily commute, and it was less expensive for the company.

Early in the project, the company put together a downsizing package that was a standard package offered to all management personnel. PS had over twenty years with the company, but this package wasn't financially appealing to anyone with less than twenty four years of service at this point. The company eventually offered to change the benefits calculations by adding six years to both age and length of service. The offer included full pension and medical benefits. PS had the experiences of friends and colleagues who were encouraging her that she should take the retirement offer and then pursue a job consulting for other telecommunications firms who desired to implement PeopleSoft. She had been getting calls from other Bell System companies for advice and then inquiries from other companies and from headhunters about the possibility of accepting employment with another firm – a headhunter is a recruiter of executive-level personnel. She was fairly certain that she could easily find employment and that she would have greater control about her working location and working conditions if she chose to pursue consulting work. PS retired effective 12/31/96.

PERSONAL HISTORY

The term "workaholic" was probably an accurate descriptor for PS from the time she graduated from college through the 1980s. She married in 1974, but her job was both demanding and stressful and she found herself separated from her husband in 1992. This was about the time when the company was downsizing, she was commuting first to White Plains and then to Manhattan, and she realized that she would have to rely only on herself to provide financial security. She coped with this reality by becoming an expert at the implementation of PeopleSoft and carefully waiting until the appropriate time to take the retirement deal offered by her firm. Her job was her first priority because it was the only way she could provide herself with financial security. This focus on one goal above all others meant that she had attained a financial base that was secure, but she realized that she was questioning her priorities and her goals. She was on her own and thought that her best direction was to build a second career in consulting. She had the expertise and she had great contacts in the industry. What could go wrong?

CHAPTER TWO – A NEW DIRECTION

PS joined others in a small consulting firm where she was essentially self employed. She chose her own projects and commuted to her various clients from the Boston Airport. The projects she chose were in the human resource field and she worked for several of the Bell Systems as well as for the U.S. government. Consulting was very lucrative, she made as much as \$100,000 for nine months work on one contract, but

consulting could also be frustrating. She was only an adviser and could not implement any of the advice she was giving. Each company had its own bureaucracy, and the U.S. government seemed to be nothing but bureaucracy.

By 1997, PS was beginning to question whether she really enjoyed consulting. She was working as a subcontractor to a software firm that was implementing a system for applicant tracking. Applicant tracking is an important part of the human resource management area and the computer software used was complex. A salesman for the software firm told the company that the software would be running reliably in six weeks. When PS came in with a six month plan to implement the software, both the firm who had bought the system and the software company were very unhappy. Everyone wanted a quick solution to implementing the software and PS knew that a quick solution could prove to be expensive and inadequate in the long run. The company purchasing the software discovered that the software was not as expected and no one in human resources wanted to make a decision about how to address issues involved in implementing the new product. Several weeks into the project, PS left in frustration. The economy was in a downturn and the company decided that they would get rid of all consultants and non-core projects. Consulting had lost its appeal to PS in just a few years. She needed to have autonomy to put decisions into action and she didn't have this as a consultant. She had envisioned that consulting would be far more satisfying than she was finding it.

Her personal life also seemed to be going through a difficult period. In 1997, her divorce was finalized and she decided she needed a change of scenery. If she continued in consulting, all she really needed was a reliable airport. The cold Boston winters had become unbearable. PS had developed an interest in sailing and decided to move to North Carolina where she would have the opportunity to sail, milder weather, and an airport to get to her clients. She had friends who sailed in North Carolina and hoped to change her lifestyle as well as her location. She couldn't remember the last time she really relaxed.

PS sold her home and relocated to Cary, North Carolina. She bought part interest in a sailboat and took sailing lessons. She became an excellent sailor and discovered she was much happier with her new life. But these major personal changes took place at the same time the economy took a turn for the worse and her consulting business dried up. By mid 2001 she realized she hadn't had a consulting job in almost a year.

One advantage to time away from consulting was the time to think. PS began to consider various options and realized that her priorities had changed since she first

began her career. She thought about the various stages of her career and realized that financial security, which had always been her driving force, was no longer at the top of her list. She wasn't wealthy by anyone's standards, but she knew that she wouldn't starve, even if she didn't have other income. On the other hand, she did love sailing and it was expensive!

PS had maintained her association with professional associations such as the Society for Human Resource Management (SHRM) and the Human Resource Information Systems group. She was also in close contact with other consultants and independent contractors in her field. She knew that when the economy improved that she would be able to get work consulting. What she had to decide was if she really wanted to do that work. Consulting paid well, but it was stressful and required extensive travel.

PRIORITIES REVISITED

PS had always worked hard and not working seemed strange. During the time between consulting jobs her friends referred to PS as their "retired" friend, but she sometimes felt like their "unemployed" friend. At fifty five years old, she was too young and energetic to remain without work for a long period of time, and her retirement package gave her a nice base income but it didn't provide her with the extras. PS wanted a new sailboat and a vacation home near the coast. Those were not possible on her retirement income.

Always a planner, PS decided to assess her personal goals and priorities and then to see what alternatives were available. Her list of personal priorities looked like this: quality of life; balance between work and leisure; time for family and friends; time for herself; autonomy; income; and flexible hours.

She also had a few constraints to deal with. Her chosen alternative needed to provide her with adequate income and also be compatible with her lifestyle as she grew older. She knew she never wanted to retire completely and that whatever she chose had to be suitable for her at various life stages. She liked being independent and setting her own schedule and being self-employed was attractive. PS had also considered the possibility of returning to school to get an advanced degree. That would allow her to teach, either full or part time. Teaching would allow her to be employable in almost any part of the country, although owning her own business would allow her greater freedom and the possibility of more income. She investigated several home-based businesses. She could consult from her home or she could start her own business. She investigated several business opportunities, most of which involved sales. Her experience in consulting had taught her to meet people easily and she enjoyed building the personal relationships. She rejected many sales opportunities,

and decided that selling cosmetics was a possibility for her. Of the various cosmetics companies, the Mary Kay line seemed to offer the most income and freedom. Her friends from the telecommunications industry had begun to contact her again about consulting possibilities. The economy had improved and firms were turning to consultants to improve their human resource departments. Consultants who were knowledgeable about both PeopleSoft and the telecommunications industry were in high demand and PS was regarded as one of the best.

DECISION TIME

PS knew that it was time to decide which direction she would pursue and she identified three viable alternatives. She could return to school and obtain an advanced degree which would enable her to teach, either full time or part time. She could return to consulting, either on her own or as a part of a consulting group. Or she could begin her own business selling Mary Kay cosmetics. PS began gathering information that she would need in order to make a decision.

Living near Raleigh, NC, meant that there were many good colleges and universities in her area. The fact that she would not have to relocate to attend graduate school made that option less expensive than it might have been. Within a thirty minute commute of her home there were several schools which offered graduate programs. Some of these were the University of North Carolina at Chapel Hill, Duke University, N.C. State University, Meredith College, N.C. Central University, Elon University, and several other smaller schools. PS had been a resident of North Carolina for a sufficient period of time to qualify for reduced in-state tuition at the state supported schools. She knew that her expertise was in human resource management and in computer systems. Several of these schools had very good masters degree programs that seemed suitable. PS realized that she would need too many prerequisites for a Masters in Computer Science and decided that the Masters in Business Administration was her best choice if she decided to enroll in a graduate program. She would need to research cost and time to complete the MBA at local colleges and universities. She decided to research UNC-Chapel Hill, Duke, N.C. State University, Meredith College and Elon University. See Appendix B for information that she gathered about these MBA programs.

Teaching part time was currently paying between \$3,900 and \$6,000 per course at the local universities. PS also wished to consider moving to the coast so she could pursue her love of sailing. Friends at the coast told her that the local community college was currently paying approximately \$3,700 per course for part time work and approximately \$40,000 to \$50,000 for the academic year for full time teachers. If she were to teach part time, she would probably teach two courses per semester,

which would require that she spend approximately 10 to 12 hours per week at school along with time at home to prepare for class and grade papers. If she accepted full time teaching, she would be at school approximately 30 to 35 hours to week and there would be additional time spent grading and preparing for class which she could do at home. Summer teaching would be optional and would pay approximately \$3,700 if she taught one course.

There were two self-employment options which PS wished to consider. The first of these was selling Mary Kay cosmetics. PS had used Mary Kay cosmetics herself for many years and was well acquainted with their products. She also was familiar with the Mary Kay motto: "God first, family second, career third." ("Company") PS was not active in organized religion, but she was a woman of faith and this motto seemed to express her current perspective about life. She discovered that there was a low barrier to entry, just \$100 plus accessories. For a brief history of the Mary Kay company, see Appendix C. There were many advantages to this type of business such as tax write-offs, a 40% profit margin, scheduling her own hours, and incentives for recruiting other sales people. The company also gives jewelry, cash bonuses, and even cars as bonuses for members with high productivity. PS read many individual stories of women who had been highly successful and discovered an additional motto: "Enriching Women's Lives." She researched this and found that it included physical, financial, and personal growth aspects. For planning purposes, PS thought that she would probably not recruit other Independent Beauty Consultants for the first couple of years. She estimated that she could give three classes per week with an average attendance of five people. Her best guess was that each of the people would spend between \$50 and \$100 each. She had been told that the cost of the product and all of her overhead would be approximately 60% of the sales. She would be responsible for her own health insurance and expenses. Since her retirement package included health insurance benefits, she could ignore this in her decision making. If she recruited other consultants, her options seemed endless! See Appendix D for some specific information about the Mary Kay compensation program.

The second self-employment option was consulting for telecommunications firms who were installing PeopleSoft to manage their human resources. PS knew that this was the most lucrative of the options, she could probably earn \$50,000 to \$75,000 per year, but she would be traveling all over the United States. If she chose this option, she would be pressed to accept jobs that would require her to be away from North Carolina for several weeks each month. Another problem with consulting is that she would have trouble getting contracts if she began turning down work that demanded too much of her time. The consulting industry is a close-knit group and her business would dry up if she didn't pursue it aggressively. This option obviously

provided the most income, but it provided the least time for other pursuits.

CHAPTER THREE – INTO THE FUTURE

PS has come to you because of your knowledge about personal financial planning. Evaluate the three alternatives that PS is considering and suggest a course of action for her. Be sure to include assumptions about the amount of income she requires. Also include costs associated with each alternative, including any opportunity costs associated with the option of getting an MBA. Which alternative should she choose? Be sure to include all information used to make your decision.

ADDITIONAL READINGS

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APPENDIX A

The following List of Key Dates is reproduced from
http://www.bellsystemmemorial.com/att_divestiture.html

Key dates in the eventual demise of the Bell System:

- November 20, 1974 - DOJ files antitrust suit charging anticompetitive behavior, and seeking breakup of Bell System.
- February 4, 1975 - AT&T formally denies all charges.
- June 21, 1978 - Case reassigned to Judge Harold Greene.
- September 11, 1978 - Judge Greene lays down new schedule for discovery and trial preparation.
- November 1, 1978 - DOJ files its first statement of contentions and proof, settling out detailed charges.
- September 9, 1980 - Judge Greene schedules beginning of trial for January 15, 1981.
- January 15, 1981 - Trial begins with opening arguments.
- January 16, 1981 - Judge Greene grants parties' request for recess until February 2, 1981 to work on a "concrete, detailed proposal for settlement.
- January 30, 1981 - Judge Greene extends recess through March 2, 1981.
- February 23, 1981 - DOJ advises court it will not be able to approve a final agreement by deadline; settlement talks break off.
- March 4, 1981 - Trial resumes; testimony begins.
- March 23, 1981 - Defense Secretary Caspar Weinberger.
- July 1, 1981 - DOJ rests its case.
- July 10, 1981 - AT&T files motion for dismissal.
- July 29, 1981 - DOJ requests 11 month delay to permit Congress to consider amendments to S.898.
- August 3, 1981 - AT&T begins its defense.
- August 6, 1981 - DOJ says it will pursue case while Administration seeks passage of amended S.898.
- August 10, 1981 - DOJ says it would drop case if acceptable legislation enacted.
- August 17, 1981 - DOJ files reply to AT&T dismissal motion, saying it will pursue case.
- September 11, 1981 - Judge Greene rules on dismissal, dropping some charges, but permitting bulk of case to go forward.
- October 26, 1981 - Court sets schedule that will end AT&T testimony by January 20, 1982. Judge Greene indicates a verdict could be handed down by

end of July, 1982.

- December 31, 1981 - DOJ announces that parties have resumed discussions to try to bring the case to a resolution.
- January 8, 1982 - Antitrust suit dropped after AT&T accepts government's proposal.
- January 1, 1984 - Bell System no longer exists

APPENDIX B

MBA Program Comparisons – Selected Schools				
Program Location	Full or Part Time	Program Length	GMAT	Cost of Program
UNC-Chapel Hill	Full time	2 years	680 (median)	\$39,082
NC State University	Full time	4 semesters	601 (mean)	\$22,964
Duke University	Full Time	2 years	700 (mean)	\$80,948
Elon University	Full Time (Fast Track)	21 months	524 (mean)	\$15,288
Meredith College	Part Time	2.5 yrs avg	523 (mean)	\$13,950

(See Bibliography for Source Information)

APPENDIX C

The Mary Kay Company

Mary Kay, Inc., was founded in 1963 by a woman committed to “enriching women’s lives” (Underwood 113). Mary Kay Ash climbed from humble beginnings with an initial investment of \$5,000 to start her own business. A business that would earn nearly \$1.8 million dollars in annual sales by 2004 (“Company”). The Mary Kay Company was built on the “principles and practices” of its founder, Mary Kay Ash, a Christian who committed herself to employing the Golden Rule into every business transaction and assuring that all of her employees and staff did the same (Underwood 14). Her philosophy demanded that employees should be treated equally and that everyone from the janitor to the corporate executive should be approached with the same respect. Her concept of power distance was different from anything that corporate America had seen before. Perhaps for the first time, a company was just as committed to those hired to fix the fluorescent lights in the conference room as the independent sales directors meeting in the conference room.

For Mary Kay Ash, it was important that her employees take care of one another and assume roles in servant leadership (Underwood xxi). (For additional information about Servant Leadership, see the writings of Robert K. Greenleaf.) At the start, she wanted not only to provide women with unlimited opportunities, but also to create a company/family support system for working, independent women. (Underwood 13). Mary Kay Ash, as she states in her company’s mission statement, was dedicated to “offering quality products to consumers, financial opportunities to our independent sales force, and fulfilling careers to our employees.” (Underwood 113).

From the outside looking in, it is evident that there is a common bond, almost like a sisterhood that exists between the employees. Mary Kay emphasized and promoted this “common bond” based on trust and dedication that her employees still carry out today (Underwood 43-55). When women make the decision to join the company, their training, their supervisors and fellow employees are dedicated to endowing them with a “strong sense of humility, a desire to seek what is best for others, an expectation for excellence and an indomitable, humble spirit” (Underwood 28-34). This common bond helps all employees have a shared sense of purpose and a feeling of belonging and helps change and mold their attitudes. Teamwork is essential, and a team member is never left behind. Employees are encouraged to further their own success, but they are also partially responsible for the emotional well-being and success of their coworkers (Underwood 29).

The Mary Kay Company has a long-standing custom that evolved into a central practice – called “The Care List.” (Underwood 53-55). This list is a system for keeping up with Mary Kay employees who have recently experienced loss or hardship. During the years when Mary Kay Ash herself ran the company, she would obtain a list from all of the sales directors of people who were going through rough times, and she would make a point to personally contact them, either by phone or a by sending a hand -written note to offer her encouragement. Today, all senior executives receive a “Care List” of employees in their sector of the Company who are enduring hardships so they can personally extend help and support (Underwood 53-55).

A company founded in the 1960s by a single mother from Texas now employs over 1.3 million Independent Beauty Consultants in over 30 markets internationally (“Company”). Mary Kay Ash began her business with only nine products; today the company has over 200 products. The company’s product extension has grown to include “facial skin care, color cosmetics, nail care, body care, sun protection and fragrance.”

Mary Kay Ash died in 2001 and The Mary Kay Company is now led by her youngest son Richard R. Rogers. The firm continues to carry on the philosophy established in 1963 by Mary Kay Ash herself – Enriching Women’s Lives.

