Book Summary: How to Be Rich – by J. Paul Getty

I love to study success and failure. Learning from others and controlling your associations are probably the two biggest keys to accelerated success. J. Paul Getty was an oil man and understood that richness is a matter of character, philosophy, outlook and attitude as well as money.

Why is this important to me?

I am not doing this summary to waste your time. It is my vision to provide concise action steps that you can adopt right now to enhance your financial life. J. Paul Getty understood that the best vehicle for creating true wealth is a business. His business was oil. He was a man that did the work like his men. He was not an ivory tower executive. This relatedness in the field was critical to his success. J. Paul Getty understood the work and with that knowledge was able to make his first million at the age of 26.

His ability to do the hard work with his men gave him the knowledge and respect of negotiating with labor and crushing the competition in terms of oil production.

How to be Rich discusses several major topics. For the sake of time, I will point out three of my favorites and discuss what why and how aspects of each.

1. **Competition** – First of all, to create real wealth, you have to do it in business. Competition keeps innovation high if the business wants to survive. The more competition the better it is for the business. I realize this is counter intuitive so let’s examine it. Why is competition valuable? The universe is competitive by nature. The Zebra runs for its life while the lion hunts it for his life. Nature is competitive and it is competition that sharpens your wits. We have seen the opposite as well. Remember when the phone companies were monopolies? Long distance phone calls were 25 cents per minute. Today through SKYPE, they are free. Competition breeds innovation and wealth. It forces you to lever your strengths and manage around your weaknesses.

2. **Management** – Never ask anybody to do a job you would not do unless you do not have the skill. If you ask somebody to clean the bathroom then you better have cleaned it before and they need to know that. Executives that get their hands dirty run far better companies than executives who don’t. Bill Gates wrote code for Microsoft for years. Steve Jobs was always part of the creative designs of the products and J. Paul Getty was in the oil fields with his team. The whole business team should share in the spoils and understand exactly what is expected of them. Praise your team members in public and discipline in private.

3. **Running the Business** – First, bootstrapping is absolutely a critical function and your key people need to understand it. You have to watch every dollar spent and your key people need to act like they are spending their own money. Control costs and make wise expansion decisions. Second, high volume inventory turns were the key to Getty’s wealth. As his volume increased, his costs decreased and the profit, along with compounding, exponentially built his wealth.
Here is an example from our business. In the old days we were in the distribution business. If you looked at an annual financial statement you would see that we sold $1 million dollars of Widget A and made a 10% profit of $100,000. On paper this is a poor return in business. But if you look at the numbers closer you will see that we actually doubled our money. How? We invested $100,000 and created 10 inventory turns to create the million in revenue. Thus we got our $100,000 back 10 times in one year creating an additional $100,000. That is the key to high volume and inventory turns.

4. **Force of Habit** – Habit is a strong force and most business books do not talk about it. You can create good habits and bad habits. Both are hard to break. The idea is to create a habit of innovation in business. What does this mean? If you instill a continuous slight improvement mentality for your people then the business will leapfrog your competition. **How do you do this?** Get your people to improve their actions by one quarter of one percent per week and you have over a 13% annual improvement. Multiply this by the number of team members and compound it over multiple years and the math will take your company to the number one spot in under 5 years.

How to Be Rich is a great history lesson written by a billionaire. J. Paul Getty takes you through his career and highlights the points that he feels are required to building and being rich. One thing I want to stress is the importance of the business model. Since Mr. Getty was in the oil business, the demand was growing and the marginal return on investment of the next barrel of oil was almost infinite. This is a very strong business model. If you compare this to a service model then you have to perform the service every time to make your money. This is why when you make a decision to go into business, play with the numbers and find a way to have a “one to many” business model. It is the only way to go to build real wealth.

I hope you have found this short summary useful. The key to any new idea is to work it into your daily routine until it becomes habit. Habits form in as little as 21 days. One thing you can take away from this book is build wealth through a business. If you look back in history, all the top wealthy people have made their money by creating businesses. This is also the greatest gift you can give because businesses employee people which helps society.