

Inspirational Figures

John D. Rockefeller

Financial Wisdom For All Ages

Waste Not: Lessons From The Richest American Ever

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The name Rockefeller has been a staple of American politics and philanthropy for the past 130 years, but few young people know the story of John D. Rockefeller and the qualities that helped him create the oil industry, become the richest American ever and endow some of the most ambitious and generous philanthropic ventures in history.

John D. Rockefeller lived nearly 100 years, and what a century he saw! Born in 1839, he witnessed the Civil War, World War I, the Great Depression and the beginnings of World War II. Raised in an age of steam power, his death in 1937 came while rocket tests tore German skies and the automobile asserted its cultural dominance in America.

But Rockefeller was not a mere witness to these events; he shaped history through innovative development and marketing of petrol-chemicals. Sadly, our modern ambivalence toward oil and wealth obscure important lessons we could draw from his work ethic, imagination, perseverance, leadership skills and charitable nature.

AN IMPORTANT EARLY LESSON

Like most men of great achievements, Rockefeller was blessed with a strong mother. Her religious conviction and disciplined approach to daily life forged his values; she taught him to work hard, save his money and give generously to charities. By the age of 12, he had saved \$50 - quite a sum in 1851 - which he loaned to a farmer at seven percent interest. When the farmer paid him back, Rockefeller recalled in 1904, "The impression was gaining ground with me that it was a good thing to let the money be my servant and not make myself a slave to the money."

In other words, Rockefeller learned early in life that money is a tool, not an end in itself. In school, his natural facility in mathematics shone, but otherwise he was an average student. Fortunately, he attended schools so good that even average students received a very good education. At 16, he learned basic bookkeeping, mercantile customs and fundamentals of banking. From his father, he learned how to write business agreements. And thus, at the age when children of today might start thinking about college, John D. Rockefeller set out to start his career.

PROFESSIONAL AND PERSISTENT

Jobs were scarce in 1855 when the 16-year-old trod the streets of

Cleveland seeking work. The youngster dressed meticulously, to look like someone who was already successful. He also showed remarkable determination by visiting businesses repeatedly, despite rejections. Eventually, his persistence paid off and he took a position as an assistant bookkeeper.

During these early years, Rockefeller's honesty, attention to detail, and initiative impressed his employers and co-workers. For example, recognizing the importance of overdue accounts, he took it upon himself to ensure collection. "He was pleasant, persistent, and patient and he got the company's money from the delinquents," according to Professor Keith Poole's Web site, *Entrepreneurs and American Economic Growth*.



THE VISION OF THE ENTREPRENEUR

At 20, Rockefeller formed a partnership with neighbor Maurice Clark, buying and selling grain on commission. They were very successful, but Rockefeller saw that with the role of railroads and machinery in the Civil War, Cleveland was better aligned with industry than with agriculture.

"Vision" is an often-misunderstood trait of entrepreneurs. They foresee the future, not by some psychic sense, but by clearly and unemotionally observing what is right before their eyes. Rockefeller saw that Cleveland was a lake port and railroad hub right between Chicago and the East Coast. Rockefeller wondered how to best take advantage of this position at the center of the industrial north. Then he saw

something else: Oil had been discovered in northwestern Pennsylvania. In 1863, Rockefeller entered the oil refining business.

THE OPPOSITE OF OUTSOURCING

The oil business was young when Rockefeller entered, and it was horribly wasteful. The primary product of oil was kerosene for lamps. Gasoline was an unwanted by-product, and most local refiners dumped it into the Cuyahoga River at night - causing the river to regularly catch fire.

Rockefeller was raised to be thrifty, and despised waste: "I believe that thrift is essential to well-ordered living." He hired the best chemists to eliminate waste in the oil refining process, and began using gasoline as fuel.

He also found that he could cut costs by building his own barrels and running his own drayage company to transport the oil, but he didn't stop there. According to Poole, "He bought tracts of white-oak timber for



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making the barrels. Instead of transporting the freshly cut green timber directly to the cooperage shop, he had kilns built on the timber tracts to dry the wood on site to reduce the shipping weight of the lumber.”

Rockefeller’s attention to detail and desire for efficiency led to the opposite of outsourcing, what we would today call “vertical integration.” Quite simply, anything he could do cheaper himself, he did himself. Rockefeller has been vilified as a monopolist, but there is little evidence that he fattened his profits through high prices to consumers; rather, he used his clout to lower his costs from suppliers, much as Wal-Mart does today.

QUALITY & SCOPE AS COMPETITIVE ADVANTAGE

Within a few short years, Rockefeller and his partners were the biggest refining company in the world, but knew they could do better. They strove for the highest quality products by building the highest quality refineries and hiring the best people. They used quality to build scope, acquiring competitors at a furious pace. The competitors were offered a chance to become part of the larger company, or a cash buyout. Those who chose to join the larger company became rich beyond their wildest dreams, and many became top executives in Rockefeller’s Standard Oil Company.

“The ability to pick gifted associates and work with them harmoniously,” is what Poole considers one of Rockefeller’s greatest traits. No doubt this harmony was helped by a simple, common goal: to be the biggest and the best.

Great leadership welcomes talent, and is not threatened by it. The late musician John Lennon recounted a very tough decision he made as a teenager. Should he let a newcomer with talent superior to his own join his band, the Quarrymen, knowing his central role would be diminished, but the band would be stronger? As music history reveals, he let Paul

McCartney join the band, and the Beatles were born.

By the time he was 40 years old, Rockefeller’s Standard Oil accounted for 90 percent of all oil refining in America. Unfortunately, by the time he was 42, Rockefeller had worked himself ill, apparently suffering a nervous breakdown. The boy who learned that money should work for him nevertheless worked very hard, but not for the money: “I had no ambition to make a fortune. Mere money-making has never been my goal; I had an ambition to build.”

Indeed, he built the modern oil industry, and an incredible fortune. Rockefeller was worth an estimated \$1.4 billion at the time of his death. Measured as a percentage of the United States’ Gross National Product (GNP; the country’s total economic output), that makes Rockefeller the richest American ever. Bill Gates would only rank fourth on a list of the wealthiest Americans based on percentage of GNP, though it is estimated that Gates is as wealthy as the bottom 100 million Americans COMBINED!

THE PURPOSE OF WEALTH

Rockefeller spent the second half of his life engaged entirely in Philanthropy. “The only question with wealth is, what do you do with it?” Rockefeller had an answer to his own question: “I believe it is my duty to make money and still more money and to use the money I make for the good of my fellow man according to the dictates of my conscience.”

And so he did. The University of Chicago received \$75 million. The Rockefeller Institute for medical research (later Rockefeller University) received \$50 million. He formed the General Education Board to help establish high schools in the South, and later donated \$50 million to raise teacher’s salaries. One of his most important and most overlooked achievements was the Rockefeller Sanitary Commission, which spent 18 years eradicating the parasitic hookworm in the southern United States.

The Rockefeller Foundation, established in 1913, continues the work set out by its founder, as stated in their mission and vision statements:

The Rockefeller Foundation is a knowledge-based global foundation with a commitment to enrich and sustain the lives and livelihoods of poor and excluded people throughout the world.

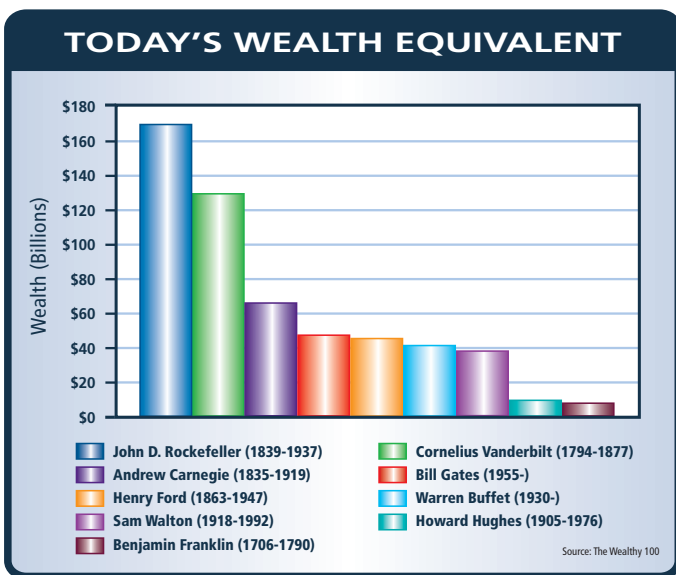
CHARACTERISTICS OF GREATNESS

John D. Rockefeller possessed traits now widely understood to be characteristics of great business leadership. He adamantly opposed wastefulness, welcomed talent and allowed it to flourish, and paid attention to the details of his business. A careful planner, his commitment to realizing his vision overcame any obstacles that may have stood in his way.

But the greatest lesson we derive from Rockefeller’s example is the power of generosity. He built his fortune by sharing success with his partners, and then spent the second half of his life disbursing his fortune in the service of impoverished peoples around the world. Anyone starting a career would do well to follow this example of prospering by helping others succeed. ▲

“Do not think there is any other quality so essential to success of any kind as the quality of perseverance. It overcomes almost everything, even nature.”

— John D. Rockefeller



The above chart compares today’s wealth equivalent of some of the richest individuals in American history, calculated by dividing wealth (at present or time of death) by the estimated Gross National Product.

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