

The Guerrilla Review

It's A Matter of Trust

Learning How To Think and Live Like a Multi-Billionaire

By Ernest O'Dell – Guerrilla Internet Marketing

Date: Saturday, February 6, 2010

The Power of Trust

It's a powerful concept; almost like grabbing a tiger by the tail. Once you get a grip on it, your income and revenues will soar!

Ralph was a talented businessman and—in most respects—a natural-born entrepreneur. He's made several fortunes in his life, but he's lost them too. He started off as a stock broker soon after completing college and eventually went into investment banking. His entrepreneurial spirit “caught wind” in his sails and decided to retire from the brokerage and branch out on his own.

He went into property investments of various sorts, commercial, residential and multi-units. Eventually he and his wife moved to a small town and bought a convenience store, gas station and a motel.

As I write this, he's starting over again—for the fourth time. His life is a roller coaster and he wants to get out of the motel and convenience store/gas station business. Only one problem: nobody is buying, and the banks aren't loaning money. And he's losing his shirt and can't dump his assets. He can't seem to put his finger on it and tells me he doesn't know why everything is coming apart on him.



Actually that's three problems, but you get my drift.

I know why his business (and life) is coming apart. Ralph is missing one key characteristic of an instinctive wealth builder (IWB).

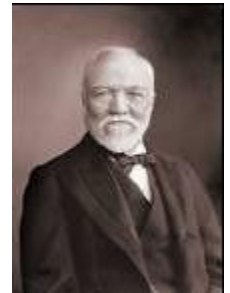
That characteristic?

Trust.

A lesson could be learned about trust by reading about Andrew Carnegie.

Andrew Carnegie's Business Strategy

[Andrew Carnegie](#) was what everyone would consider a "rags to riches" story. His family immigrated to the United States from Scotland when he was 13 years old. He began working at a cotton mill upon arrival.



After a short time, he changed jobs and began to work as a telegraph messenger for the Pennsylvania Railroad. During his employment with the railroad, he started to invest in companies that supplied the railroad. Soon after he made these investments, these companies began paying big dividends.

At the age of 26, he had enough money to travel whenever and wherever he chose. His dividend checks arrived whether he was in Pittsburgh or Scotland, working or playing. His railroad salary constituted only 5 percent of his income.

At age 30, he resigned his railroad position to go into business for himself with his former bosses at the Pennsylvania Railroad. By his early 30s, he had accumulated his first fortune in oil wells, iron manufacturing, bridge building and bond trading.

At the age of 66, he sold his steel empire for 400 million dollars. Andrew Carnegie's share came to 226 million, (*nearly 120 billion in today's dollars*).

He went from zero to 120 billion in 53 years, which translates into 2.3 billion dollars a year. This was accomplished during a time when there were **no phones, no fax machines, no Internet, no e-mail, no cars, no iPods, iPads, Smartphones, Blackberry cell phones, no Twitter, no Facebook, and no “social networking” or Web 2.0.**

Think about that for a few seconds... I want that to really “soak in” to your psyche.

His workday was confined to **only a few hours each morning**. He typically would accomplish as much in these hours as most men do in a week.

He left the day-to-day decision-making to his partners and employees—and managed his businesses remotely via mail and telegraph.

He made it a matter of trust: trusting someone to run his business so that he could have a life.

Andrew Carnegie was a fascinating person. He built an enormously profitable empire in his **spare time**. Andrew Carnegie's career started out in the railroad business. He rose to high ranks within the organization and was able to see the future of the railroads, as well as the business opportunities available.

The railroad was entering a period of steady and unparalleled expansion. Andrew decided to invest his money in companies that supplied the railroads. He invested in more than 10 companies that sold their products to the railroads.

One of the companies he invested in was a company that built bridges for the railroads. Andrew Carnegie, with partners from the Railroad Company, launched a bridge building company. The company profited from contracts with his former employer, the Pennsylvania Railroad. He had "*inside connections*" because his "silent partners" (people who he trusted) remained employed in high-level positions at the railroad.

Nowadays, with legislation over the past 100 years, this would probably be considered illegal today due to our current laws. But you can bet there's still a lot of it going on. All you have to do is turn on the television or read your newspaper and learn about the latest multi-billion dollar Ponzi scam that landed someone in jail.

His bridge building company was spending a great deal of money on iron ore to manufacture the bridges. So he started an iron ore mining company to supply his steel mills to supply his bridge company. (*Do you see how all his businesses tied into each other?*)

Now, he and his partners made money on both ends of the deal. They profited from the contract between the railroad and the bridge company; then profited again when the bridge company purchased its iron from their iron mill.

Do you see how *slick* he was? ***He was a financial genius!***

When he turned 33, he sat down and analyzed his finances. His net worth was about 75 million (in today's dollars). His annual income in dividends was more than 10 million. He figured that "if he carefully managed his assets over the next two years he would, he estimated, be able to guarantee this level of income in the future." Although he could have retired at the age of 35, he didn't.

At the age of 37, he began to focus all his attention and capital on the steel business. Andrew and a few partners started a steel factory. They named this new business "Edgar Thompson" after the nation's most respected railroad executive.

In 1873, there was an economic panic—a “depression” of sorts like the one in 1929 and 2008-2009—and Carnegie used this situation to buy out many of his partners. These buyouts gave him controlling interest in the growing steel business. Instead of holding his hand out for the government to bail him out, he took it upon himself to invest his own money in his expansion! During a depression no less! What a concept!

In 1880, Carnegie decided to purchase about 11 percent of H.C. Frick Coke Company when the owner needed capital to expand his holdings. This was a good deal for Carnegie because Frick's company supplied coke to his steel companies. Two years later, Carnegie would increase his ownership to 50 percent. By 1888, Andrew Carnegie would own 74 percent of the stock in Frick's coke company.

Let's stop for a moment and summarize five lessons here.

They are:

1. He was able to foresee the demand for railroad transportation and the unlimited opportunities surrounding this demand.
2. He put all of his eggs in one basket by investing in companies that supplied the railroads. His mission was to supply the railroads with whatever they needed and make a profit while doing so.

3. He had calculated his 'enough is enough number' and was focused on obtaining it in order to retire.
4. He consistently increased his ownership percentages of the various businesses by buying out his partners. Usually, this occurred when times were tough or his partners needed money. He turned adversity into opportunity.
5. **And he trusted qualified, intelligent people to run the day-to-day affairs of his companies while he built them.**

These actions by Andrew Carnegie were obviously very smart, but his true genius came from his overall business strategy. But the foundation of his strategy was: **TRUST**.

Andrew Carnegie profited from his business expenses by controlling the companies providing his companies with supplies or raw materials. This strategy allowed him to profit from every step in the manufacturing process. Most companies only profit from one step, while he was profiting from multiple steps. In reality, he was diversified in several businesses and profiting from all of them.

His bridge company purchased ore from his ore company. His bridge company also purchased steel from his steel company. His steel company purchased coke from his coke company. This means he was extracting multiple profits at the same time.

Now this is all fine and dandy for Andrew, but how does it apply to you and your business? How can you use his overall business strategy?

I believe there are two separate ways to apply his strategy to your business. And remember, as I said before, it doesn't matter what business you are in.

Look and see where your money is going and try to own or profit from your expenses. Where do the majority of your business expenses go? Do you do a lot of printing? If so, could you own a printing business?

Do you do a lot of advertising in the newspaper? If so, could you create and own your own newspaper—or perhaps—*a newsletter*? Do you spend a lot of money on rent for your office? If so, could you *own the building* and pay the rent back to yourself?

All the while you are doing this, you're going to need people to run these businesses. And you're going to need to have trust in them that they can do the job.

You're going to need loyal, dedicated people who are interested in making you look good, because when they do that, they will look good. Everybody will benefit from it: you will benefit from their “smarts” and they will benefit with a good job at your company. It's the “Law of Reciprocity” in action!

Take some time and study where your money flows. Think of how you might be able to profit from your expenses. Andrew set himself up to profit from his expenses by owning businesses that supplied his steel manufacturing business.

Granted, Andrew Carnegie used “insider information” and applied strategies that would probably be considered illegal today. I'm not suggesting that you break any laws and do anything illegal or unethical. You definitely don't want to run afoul of the law!

However, I am suggesting that you consider his "profit from your expenses" strategy and decide if you can **leverage** it for yourself in some fashion, legally!

Let's move on to the second way to use Carnegie's overall business strategy. I am going to flip this on its head, but you will be able to see the connection.

Andrew Carnegie started at the top of the business chain and worked his way down. He went from bridge company to suppliers. Could this strategy work going the other way? Could you start at the bottom of the chain and profit by going up?

The idea is to build secondary businesses serving the same customers on top of your business. Figure out a way to leverage one business into another one. It's important for you to note that this idea does not work unless you specialize. It is very hard to build secondary businesses if you don't have a target market.

Think about Disney World: they specialize in families. They have built multiple secondary businesses on the back of their primary business, all targeted towards families. You go to Disneyland and you're going to find hotels, eateries, and clothing shops, and all sorts of “associated” businesses that tie into the entertainment industry.

I've read countless books that identify the qualities that distinguish moneymakers from the rest of humanity. A few of them have been very good, and some better than others. One of my favorite authors is Dr. Joe Vitale and he makes a very long impression on developing trust. Kevin Hogan is another of my favorite authors who states the same in his books.

Trust matters.

The capacity for trust, in fact, is an essential characteristic of the IWB—the Instinctive Wealth Builder.

Let me tell you why.

You remember Ralph? The guy I was talking about at the beginning of this article? Well, he's a real person, and he lives in a real town, and some people think he's just the neatest person on the block and has the greatest parties. Other people think he's totally clueless, but I tend to disagree with them. I think he's an intelligent, crafty tactician.

However, Ralph has a big, BIG problem: lack of trust.

Ralph's first three businesses took off strongly because he had good instincts about what products and services to sell and he quickly became adept at whatever selling method was most appropriate for those products.

He developed his businesses where they started generating a modest profit, then they would start falling apart. All of his businesses fell apart at that level. And what caused it was lack of trust and not being able to delegate authority into the hands of others. He felt like he had to do everything!

It wasn't long before he was working 18 hour days, eating microwaved burgers behind the counter, while running the cash register, because he couldn't get good help to work for him.

Your business can't continue to grow without qualified people, and people who you can trust.

I know that gives a lot of business owners the creeps, and it gives people in the real estate and insurance industry the creeps, too. Because they can't seem to "let go" of some of the control and put it into the hands of others.

There's a couple of big real estate brokers and developers I know down in the Texas Hill Country who are making over \$300 million dollars a year. They have branch offices all over the state, and have thousands of people working for them, and they've learned how to trust others to run their shops for them.

There's another large real estate group up on the east coast and in the D.C. capital area. They must have at least 24,000 agents working in various locations around the east coast, and they are doing fairly well... even in this economy.

I also know hundreds, if not thousands, of other realtors, brokers and insurance professionals all over the country who are still piddling around with 5 or 10 agents in their office, while they're struggling to get by on a 5 figure salary. Some of them have ended up getting out of the business and gone to work selling Chinese electronics at Wal Mart.

All because they didn't learn to trust.

To get to the next level in your business, you have to solve big problems you've been having. The solutions need to be foundational, not just temporary "patches." You need to have all your operational activities running smoothly. That can be done pretty easily if you are willing to let these people help you. That's what they are trained to do. Give them the tools they need, and let them go to work.

Don't give a carpenter a screwdriver to drive nails... give him a hammer! Don't give a plumber a set of small pliers to fix a leaky faucet; give him a faucet wrench! Don't give a ditch-digger a garden rake to dig a drain culvert; give him a back hoe!

Then, step back, take a deep breath and give them your trust, and let them go to work. They'll surprise you. And if they mess up, don't worry! It can be fixed. If you feel like you're getting stressed out, rub your ear lobes between your thumb and forefinger and chant, "Whoosah! Whoosah!"

Take a "chill pill" and get over yourself. Don't get over "it" per se... just get over yourself. Because it's YOU that's ***in the way.***

Ralph could never do that. When his businesses were in the greatest need of disciplined marketing, fulfillment, and accounting, he refused to bring in top-level people to get the job done. Instead, he would hire a bunch of high school kids, pay them minimum wage, while they stole from him and sat on their fannies. What few good people he did have, he kept pressuring them until they eventually got tired of his ineptitude and quit. Nobody likes to work for someone, or with someone, who is incompetent.

It doesn't mean that they are stupid. No. They just didn't know the business they were in. The people who fall into this category are good, honest, hardworking people, but they're just not capable of running a business of that magnitude. They need help, and they need people to help them, and they need to put a certain amount of trust in their employees to make the business a success.

Here's where you can see the difference between Ralph and Andrew Carnegie.

When things started falling apart in Ralph's first business, it was the marketing (the motel). He put all his marketing and advertising money in the wrong places. In his second business—the convenience store—it was lousy customer service, because the high school kids working for him were only interested in payday. Customers weren't taken care of properly and word got around town... *real fast!* In his third business (the gas station), it was product quality. Instead of staying with one brand, he eventually moved off to another supplier and the “locals” in town wouldn't buy his gas.

He didn't know his “market” and he didn't know how cagey the locals were.

All of these problems could have been easily avoided if he had hired top-notch managers to take control. But he never did.

Why?

He just couldn't trust them.

It was impossible for Ralph to trust anybody who was smarter than he was. Whether they were or not, if he assumed someone was smarter than him, he would eliminate them from the selection process. It wasn't long before he had eliminated everybody and he had no one to choose from.

He assumed that very smart employees would figure out a way to take advantage of him. Ralph didn't like being taken advantage of. I don't blame him: I don't either! But, he obsessed about it. So his solution was to hire only people of modest intelligence.

It's bizarre, I know. But it's as common in the entrepreneurial world as chicken pox is in a day care center. I would try to tell him to get some qualified people into his businesses, pay them well so they would stay loyal to him, so that he could take some time off to rest. He was spending so much time down at the store, and his poor wife was running the motel (no mean feat) that she started nagging him to come home.

Today, he has all his businesses “on the market” and he's stuck with them. Nobody wants to buy them, and nobody wants to work for him. What a shame! And when I tell him “I told you so!” it make him madder than a mosquito in a mannequin warehouse!

The reason he hasn't been able to build a truly successful business is because Ralph just simply can't trust people. He doesn't trust his employees well enough to hire great ones. And he doesn't have any partners he can trust because he JUST CAN'T TRUST. Heck, he doesn't even trust his own banker! And, until he learns to trust his employees, managers, and partners—he's not going to establish any productive long-term relationships.

It all starts with trust. Not blind trust, smart trust.

You must be smart enough to know that to develop a big business you will have to eventually hire people who are smarter and more talented than you are. Trust them. They're not going to steal your business, and they're not going to take it away from you. The “deed and title” of the business is in your name, so get over yourself.

You must be smart enough to understand that everyone is interested in his or her own career and happiness. So **you** must be smart enough to create a system of rewards that encourages those smart and talented people to work FOR YOU... to their fullest capacity, and not against you.

To do that, you have to give them a lot of freedom to make decisions—and maybe even a few mistakes. You need to trust them with the freedom to sell and promote your business, not the freedom to control the books.

Accounting and legal issues must always be under the control of a competent manager who works directly for you and with you. A good manager should be “connected” to you like one of your arms. Once you have that in place, you need to trust your good people, **get out of their way**, and ***let them do their job!***

When—not If—you learn to do that, your business will take off and grow like you've never seen it before.

If you're not a trusting person, here are some way you can go about making changes in your thinking:

- Make it a policy to hire the smartest and most ambitious people you can. If you feel scared by someone, figure out why you are scared. If it is a question of character, don't hire them. If it is a matter of intelligence and talent, realize that your reaction is an obstacle in your way: get over yourself. Overcome your trepidation by reminding yourself that you're still in charge of the relationship and you still own the business. That

person is there because you have something he wants, something only you can give to him: his future. That person is also there because they have something you want: their knowledge and expertise.

- When you encounter someone who is smart and talented, tell them that they are the kind of person you like to hire. If you say it right, it will flatter them. When the day comes that you need them, they might be happy to quit their job and come to work for you. If not, they will certainly detect your lack of trust, and you'll be back to "square one."
- When you hire people, make sure you provide them with all the necessary tools and resources they need to succeed. Develop a compensation program that will keep your new employees happy and motivated. Resist the urge to be stingy. When it comes to talent, err on the side of generosity.
- Realize that one day your superstars might be making as much as or more than you. Look forward to that day.
- Keep in mind that any good employee will want to showcase their talents. And when they do a good job, they will want recognition for it. Only you can fulfill those two desires.

Like I've said before, it all starts with trust.

The Final Analysis

If you are in the Real Estate or Insurance industry, or the Legal profession, you know that most prospects will only work with the first person they talk to. If you develop that sense of trust within the first 7 seconds of their initial call, you'll have a customer for life. If, in that initial phone call, you don't establish trust with your prospect, you're toast.

Developing trust with new prospects starts with taking their calls as soon as possible, and if not, returning them as quickly as possible.

To do that, you need a good system of Unified Communications. Don't go out and hire an Executive Assistant: I know they're nice to have, but they cost you a lot of money that you don't get to write off. Get a Virtual Assistant where you can expense it out on your taxes.

Look into [iTeleCenter](#) or [Real Estate Pro](#) and see if they can help you automate your business and get your life back. And in the meantime, build up your "trust factor" by improving on your customer service. If you have any questions how either of them work, give me a call or email me and I'll be glad to go over it with you.



Ernest O'Dell is Editor in Chief of The Guerrilla Review and an expert in [Unified Communications](#) applied to the [Real Estate](#) and [Insurance](#) industries and the legal profession. For more information how to turn your sales up a notch, give him a call or email.

Phone: (806) 297-3267

Email: eodell@QuestarTeleCommunications.com

Website: [Questar TeleCommunications](#)