

THE 80/20 RULE

Sometimes called the Pareto Principle, the 80/20 rule suggests that in general:

- 80% of outputs result from 20% of inputs
- 80% of consequences result from 20% of causes
- 80% of results come from 20% of efforts.

While the exact percentages may vary, the rule has had powerful applications in business.

For example, in general:

- 80% of sales come from 20% of the products
- 80% of profits come from 20% of the customers

Other statistical similarities include:

- 20% of motorists cause 80% of accidents
- 80% of traffic jams occur on 20% of our roads
- 20% of those who marry cause 80% of the divorce rate (by marrying and re-marrying)
- 20% of criminals commit 80% of crime.

We harness the 80/20 Rule by clearly identifying and focusing resources on high-yield actions thereby creating breakthroughs in performance.

While traditionally the Pareto Principle has been applied through statistical analysis to measurable outputs and actions, it is also a system of thinking we can apply to all our endeavors. The principle tells us that there is a built-in imbalance between causes and effects:

- The great majority, which have little impact, and
- The small minority which have great impact

We can use the principle as a tool by identifying those minority of efforts that are creating the most results, and the majority of our efforts that are producing few results. Our challenge then is to increase the high-results-producing activities, and cut back or eliminate much of the rest.

While this is only one of a number of possible lenses with which to view life, the 80/20 Rule is an important tool with which to create better results from our work. It suggests that that we will increase productivity if we:

- In every sphere, identify where 20% of effort can lead to 80% of the returns
- Celebrate exceptional productivity rather than raise average results
- Strive for excellence in a few things rather than good performance in many
- Delegate or outsource as much as possible
- Calm down, work less and target a limited # of valuable goals where the 80/20 Principle will work for you, rather than pursuing every available opportunity