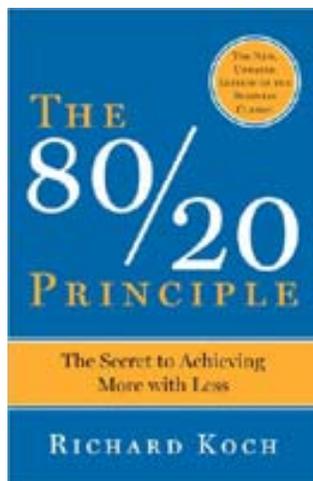


THE 80/20 PRINCIPLE

The Secret to Success by Achieving More with Less

The 80/20 Principle
by Richard Koch



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Executive Summary

The 80/20 Principle, like the truth, can make you free. You can work less. At the same time, you can earn more and enjoy more. The only price is that you need to do some serious 80/20 thinking.”

The principle states, quite simply, that 20% of efforts lead to 80% of results. Whether you know it as the “Pareto Principle” or the “Principle of Least Effort,” it’s an incredibly powerful concept.

Although many authors discuss the 80/20 Principle as a core component of their time management and self-development programs, Richard Koch (a former Bain & Co and BCG Consultant) provides an entertaining and practical application of the theory in his book *The 80/20 Principle: The Secret to Success by Achieving More with Less*.

The 80/20 Principle is densely packed with Big Ideas you can apply to your business, relationships, time management tactics and even (especially!) to discovering and living your purpose.

Koch gives great insight to ideas and concepts to get you thinking about how you can focus your time and energy on the activities that give you the most results!



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Book summaries

Background to the 80/20 Principle

It was 1897 when Vilfredo Pareto, an Italian economist, was studying wealth and income distribution in 19th Century England. During the course of his studies, he discovered that the majority of land and income was controlled by a minority of the population. In fact, 20% of the population controlled 80% of the wealth and income.

On further analysis, mythical lore says that he found that this principle held true not only in different countries and different time periods, but also in contexts such as his garden—where he discovered that 20% of his peapods yielded 80% of the peas that were harvested!

Since Vilfredo identified the trend, many researchers have been busy pointing out some additional modern applications.

Check these out:

80/20 Principle Examples

- 20% of criminals account for 80% of crime
- 20% of motorists account for 80% of accidents
- 20% of married individuals account for 80% of divorces
- 20% of your carpet probably gets 80% of the wear
- 20% of streets account for 80% of the traffic
- 20% of product flaws account for 80% of problems
- 20% of clients usually account for 80% of profits

Look around you. See where you spend your time. See where you get your results.

The 80/20 principle will apply to you too. Do you know what is the 20% of effort that gets 80% results in your life?

Applying the Principle!

80/20 thinking requires, and with practice enables, us to spot the few really important things that are happening and ignore the mass of unimportant things. It teaches us to see the wood for the trees.”

The next logical question is clearly, “OK, so how does this apply to me?”

As Koch states: “20% of what we do leads to 80% of the results; but 80% of what we do leads to only 20%. We are wasting 80% of our time on low-value outcomes.”

His advice? Rather than pursuing every available opportunity, Koch suggests we “calm down, work less and target a limited number of very valuable goals where the 80/20 Principle will work for us.”

Koch spends half the book on how to apply the 80/20 Principle to your business (including a chapter on “Why Your Strategy is Wrong”) and dives into detailed processes to help you figure out what’s up with the 80/20’s currently hiding in your business.

Remember: he’s a former (very) successful consultant, so he’s extremely good at bringing the principle to life in your business. If you’re running a business and have the sense you’re not quite focusing on the 20% you should be focusing on, you will find massive value in the book just from these chapters.

80/20 Principle in Business

“The 80/20 Principle suggests that your strategy is wrong. If you make most of your money out of a small part of your activity, you should turn your company upside down and concentrate your efforts on multiplying this small part.”

Applying 80/20 to your business tells you that 20% of products usually account for about 80 % of dollar sales value. And 80 % of sales come from 20 percent of customers. Twenty percent of products account for 80 % of profits.

Do you know where your revenue comes from? Find out. Do you know where you spend your time? Find out.

Here's what the book suggests: "It is almost certainly true that you make at least 80 percent of your profits and cash in 20 percent of your activity, and in 20 percent of your revenues. The trick is to work out which 20 percent."

Are you wasting time on activities you KNOW aren't yielding the results you want? Well, stop!!! And, find the 20% of stuff that's working and

DO MORE OF IT.

"Executives may suspect that some customers and some products are more profitable than others, but when the extent of the difference is proved, they are likely to be surprised and sometimes dumbfounded."

Be Unreasonable

Rule #1 in applying the 80/20 Principle to creating your ideal life is simple: We need to know what we want. (It also helps to be unreasonable.

Start with some simple questions.

- What do you absolutely LOVE to do?
- What comes to you effortlessly?
- With whom would you love to spend your time?
- What would you be doing throughout the day?
- How much would you make?

- Where would you live?

What's Easy?

"It is important to focus on what you find easy. This is where most motivational writers go wrong. They assume you should try things that are difficult for you."

From Martin Seligman who says this in his classic *Authentic Happiness*: "I do not believe that you should devote overly much effort to correcting your weaknesses. Rather, I believe that the highest success in living and the deepest emotional satisfaction comes from building and using your signature strengths." To Leo Buscaglia in *Love*: "You are the best you. You will always be the second best anyone else."

As Koch advises, we need to "Pursue those few things where you are amazingly better than others and that you enjoy the most." So, what are you amazingly better than others at?

What I enjoy most doing is:

20% of your friends/loved ones probably account for 80% of your enjoyment and satisfaction. How about you? How's it look for you?

Might sound harsh, but why wouldn't you spend a lot more time with the group that gives you so much pleasure and a lot less time with the other?!?

Koch has a brilliant exercise to bring the truth of the 80/20 applied to relationships to life. Get out your journal (or a piece of paper you can immediately burn afterwards :) and write down the names of your Top 20 friends and loved ones--the people with whom you have the most important relationships--ranked from most to least important.

Next step: You have 100 points. Allocate them to the different people according to how much value they give you in your life relative to one another. As Koch says, you may need more than one pass at the numbers to get to 100. (And, what you're likely to find is that around 4 of the people (20%) give you 80% of your joy.)

OK. Next step. You have 100 units again. Next to the enjoyment numbers, write down how much time you spend with each person such that the total time comes to 100.

Got it? What'd you come up with? Are you spending far less than 80% of your time with the 20% who give you so much joy?

“For both personal and professional relationships, fewer and deeper is better than more and less deep.” - Richard Koch

As Koch says, “The action implications should be plain. Go for quality rather than quantity. Spend your time and emotional energy reinforcing and deepening the relationships that are most important.”

Lest you think this is some weird idea from an overly-zealous consultant/author, know that Abraham Maslow, the great psychological researcher who created his “Hierarchy of Needs” and coined the phrase “Self-Actualizing” says pretty much the same thing.

“Self-actualizing people have these especially deep ties with rather few individuals. Their circle of friends is rather small. The ones that they love profoundly are few in number.

Partly this is for the reason that being very close to someone in this self-actualizing style seems to require a good deal of time. Devotion is not a matter of a moment.” ... One subject expressed it like this: “I haven't

got time for many friends. Nobody has, that is, if they are to be real friends.”

Learning

Koch shares a story of the wisdom his tutor at Oxford shared with him. First, he advised him not to attend lectures because: “Books can be read far faster... But never read a book from cover to cover, except for pleasure.

When you are working, find out what the book is saying much faster than you would by reading through. Read the conclusion, then the introduction, then the conclusion again, then dip lightly into any interesting bits.”

How do you read a book? Do you go from cover to cover? Why? You're wasting a lot of time. 80% of the valuable content can be found in 20% of the book...and, according to Koch, absorbed in 20% of the time it takes most people to read the entire book.

Fun little application: Several years ago, I taught the 80/20 principle to a friend's 10-year old daughter who was struggling in school. She learned to read the conclusions, check out the graphs and charts and pictures and leading questions, and then read and mind map the content. Her C's went to A's in about a month and a half.

And, more importantly, she liked herself and learning a lot more. (When I visited her school for special friends day her teacher came up to me and asked in a whisper: “What did you do to her!?” I told her it was all about the 80/20 Principle. :)

So, unless you're reading a book for pleasure, read the conclusion then the intro, check out the graphs and pictures

and then the conclusion again and maybe some sections a little deeper if you find it particularly interesting. And teach your kids if you have them!!

Your Diet

My diet? Yes, your diet. If you're like most people, you might get a little confused by all the conflicting information the experts share these days. Why not 80/20 your diet?!?

The reality: 20% of your healthy eating habits account for 80% of your health gains. Focus on the fundamentals--that 20% that will give you 80% of the gains you're looking for. And, what are the fundamentals? The obvious stuff that we all know we should be doing but few of us actually do.

Are you drinking enough water (take your body weight, divide it in half and drink that many ounces)? Eating breakfast? Eating a lot of fresh, organic fruits and vegetables? Avoiding refined foods and refined sugar? And, avoiding saturated fat?

You do these things and you're 80% there. And, you'll be surprised how quickly your energy will increase (not to mention how quickly the number of compliments from your spouse/significant other will increase as well! :)

About the Author of *The 80/20 Principle*:

Richard Koch - Consultant, businessman and author of the international best sellers "The 80/20 Principle - The secret of achieving more with less" and "The 80/20 Individual – The nine essentials of 80/20 success at work". Richard has also just released "Living the 80/20 way – Work less, Worry less, succeed more, enjoy more." Learn more about his books, seminars and

all things 80/20 at his site: the8020principle.com. Buy the book here!

"Things which matter most must never be at the mercy of things that matter least."
- Johann Wolfgang von Goethe

"The few things that work fantastically well should be identified, cultivated, nurtured, and multiplied." - Richard Koch

"Those who analyze the reasons for their success know that the 80/20 rule applies. Eighty percent of their growth, profitability and satisfaction comes from 20 percent of the clients. At a minimum, firms should identify the top 20 percent to get a clear picture of desirable prospects for future growth." -Vin Manaktala