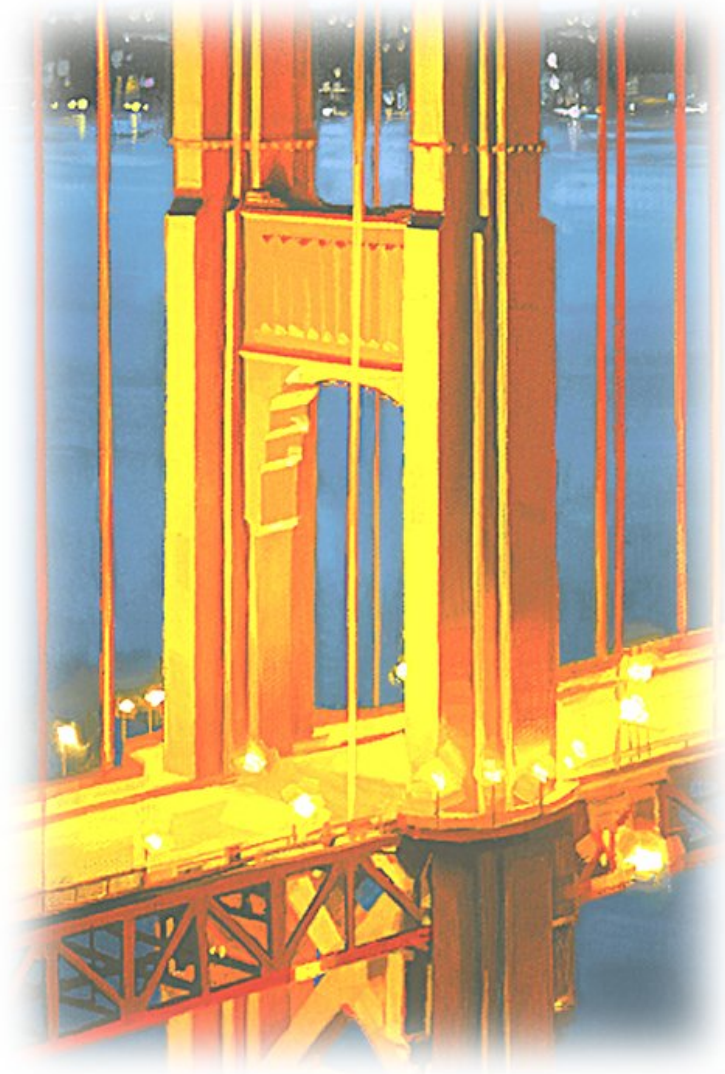

IDEABRIDGE



The IdeaBridge White Paper Series:
The Pareto Principle & the 80-20 Rule



THE PARETO PRINCIPLE & THE 80-20 RULE

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Summary

Entrepreneurs and CEOs consistently report that their number one problem is 'lack of time to get things done.' Consistent application of The Pareto Principle will lead to dramatically improved productivity. While the rule is not an absolute, one should use it as a guide and reference point to ask whether or not they are truly focusing on the 20% (the Vital Few), or the 80% (The trivial many). True progress results from a consistent focus on the 20% most critical objectives.

In the late 1800s, economist and avid gardener Vilfredo Pareto established that 80% of the land in Italy was owned by 20% of the population. While gardening he later observed that 20% of his plantings yielded 80% of his harvest. And thus was born a theory that has stood the test of time and scrutiny. The Pareto Principle or the 80:20 Rule has proven its validity in a number of other areas.

In the business world, it has been found that the principle could be applied to many areas, such as:

- **Applied to Meetings:**
80% of decisions come from 20% of meeting time.
- **Applied to Managerial Headaches:**
Roughly 80% of your managerial problems and headaches are caused by just 20% of your problems.
- **Applied to time management and your daily To-Do List:**
80% of your measurable results and progress will come from just 20% of the items on your daily To-Do list. The major problem is that most people are so busy fighting fires that they never get around to the most vital few activities that will lead to the greatest results.
- **Applied to Interruptions:**
80% of a Manager's interruptions come from the same 20% of people
- **Applied to product defects:**
Roughly 20% of the input errors typically cause the lion's share of defects.
- **Applied to Salespeople:**
Roughly 20% of a sales force will develop 80% of the annual results.
- **Applied to Customer Complaints:**
Roughly 80% of customer complaints are about the same 20% of your projects, products or services.
- **Applied to Business Unit Production:**
Roughly 20% of a company's business units will produce 80% of the annual revenue.
- **Applied to Advertising:**
Roughly 20% of your advertising will produce 80% of your campaign's results. If businesses could only determine which 20% of their advertising was really working, businesses could save literally billions in advertising costs each year.