

## ***Pareto's Rule – The law of 80/20 in Business and Life***

I love filter coffee and particularly like it very strong with a very rich flavor and taste. Whenever I get the time I set off on my 2 wheeler to the popular hotel near my house which provides coffee to my taste. I enjoy this short ride and since I go very slowly get to observe quite a few things. For instance I get to see the building which is still under construction and close to completion but for the last 4 months it has remained in the same status - unfinished !! When the work started in that construction site more than a year back the progress was so rapid that I thought that the work would get completed in less than 6 months time but it has not been so. Not just this building but many buildings follow the same consequence. About 80% of the work gets done in 20% of time.

On the other side we would have observed that as the month March approaches the salesmen try to do the maximum calls put in enormous struggle and efforts to get to their sales target !! Most students cram and study during the last 1 month or so before their exams putting in their best to get good marks. 20% of the time is invested to get 80% of the results. These are examples of the Universal Rule that regulates our lives behind the scenes putting into effect the 80/20 rule or *the law of vital few and trivial many* as was described by Business thinker Joseph. M.Juran in the 1940's. Earlier it was analyzed by an Italian economist and Sociologist Vilfredo Pareto (1848 – 1923) who observed that 80% of the land in Italy was owned by 20% of the population and 20% of the land was owned by 80% of population. While investigating with other countries he found the same unequal distribution of wealth in each. Pareto specifies an unequal relationship between inputs and outputs. The 80/20 rule is not very accurate but it does represent a disparity between cause and consequence or desire and results. It could be a 75/25 or a 70/30 or even 90/5 and it does not have to add up to 100 and is only illustrative.

### ***Examples of the 80/20 Rule in Business and Life***

- 80% of sales come from 20% of customers.
- 80% of sales comes from 20% of the products.
- 20% of staff will cause 80% of problems.
- 80% of results in business materializes from 20% efforts.
- 80% of complaints come from 20% of your customers
- 80% of work is completed by 20% of your team
- 80% of customers use only 20% of software features
- 20% of society holds 80% of wealth.
  - Most people spend 80% of their time with 20% of their friends.
  - 20% of the clothes in the closet are worn 80% of the time.
  - 80% of income is derived from 20% of investments
  - 20% of the financial decisions results in 80% of financial results.

- 20% of stressful activities produce 80% of the stress.
- 80% of the space on shelves hold clutter
- 20% of foods contribute to 80% of weight gain
- 20% of Relationships provide 80% of value
- 80% of luggage is essential and 20% is excess
- 80% of boundaries are got from 20% of strokes in the longer version of the game of cricket.
- 80% of information is useless and 20% is crucial.
- 80% of our thoughts repeat

The 80/20 rule acknowledges that there is an imbalance in the effort and result and allows us to use this imbalance to our advantage. When we recognize the imbalance about what needs to be done to attain satisfaction and happiness and doing only that and not extra work that doesn't result in anything positive. This effort should be reserved for the critical 20%. However we have to take care of the other 80% as well but put in more effort for the critical 20% to excel in life. We have to focus our attention where we need to since specialization is the key. It is also very important to choose the *niche* that we enjoy doing and where we shine. Time is limited and the productive time might be only 20% of the available time. All great people have learnt well and applied the 80/20 practice to get maximum results by focusing on the niche and created wealth. Businesses that do not specialize are relegated to ordinariness.

It is better to know a few things very well and excel in one thing and stand apart from the competition to get a cutting edge in business. Knowledge in that particular core area is the key and allows you to understand your work, business and customers that adds value to the organization. Focusing on the niche i.e 20% and let the others in the organization handle the other 80% would help the organization produce greater efficiency, conserve materials, reduce costs, increases safety, better in decision making, identifying the root cause of the problem, producing better products, giving better service and increased profits. Write your objectives on paper and see it everyday and actually we could get what we want if we know what we want !!

The 80/20 rule works well if you understand the phrase "Where your time goes there your future is determined" and works even better when one knows that awareness precedes choice.