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Harold Taylor

# Accomplish More by Doing Less

The 80/20 Rule in Action

HAROLD L. TAYLOR

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# **ACCOMPLISH MORE BY DOING LESS**

## THE 80/20 RULE IN ACTION

Accomplish More by Doing Less: The 80/20 Rule in Action

1<sup>st</sup> edition

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# ABOUT THE AUTHOR

Harold Taylor, currently owner of *TaylorInTime*, has been speaking, writing and conducting training programs on the topic of effective time management for over 40 years. He has written over 20 books, including a Canadian bestseller, *Making Time Work for You*, originally published in 1981.

He has developed over 50 time management products that have sold in 38 countries around the world. His time management newsletter, now in electronic format, has been published for over thirty-five years and he has had over 250 articles accepted for publication in various magazines.

A past director of the *National Association of Professional Organizers*, Harold received their Founder's Award in 1999 for outstanding contributions to the organizing profession. He received the CSP (Certified Speaking Professional) designation in 1987 from the *National Speakers Association*. In 1998 the *Canadian Association of Professional Speakers* inducted him into the Canadian Speaking Hall of Fame. And in 2001, he received the Founder's Award from the *Professional Organizers in Canada*. The award has been renamed the *Harold Taylor Award* in his honor.

Prior to his speaking and writing career, Harold held management positions in industry for twelve years at Canadian Johns Manville and American-Standard, and was a teaching master in the business division of Humber College in Toronto for eight years. He has been an entrepreneur for over forty years, incorporating four companies during that time.

His first company, Harold Taylor Enterprises Ltd., established in 1967, was a multiple association management company that also published four magazines and a line of greeting cards, and sponsored public seminars and management training programs. Since 1981, when he incorporated the time management company, *Harold Taylor Time Consultants Inc.*, he has personally presented over 2000 workshops, speeches and keynotes on the topic of time and life management.

Now in his 85<sup>th</sup> year, Harold lives in Sussex, New Brunswick. He writes e-books for Bookboon.com (24 to date), publishes a weekly blog at his website (also posted on Facebook & Twitter), a quarterly time management newsletter for his 2000 plus subscribers, sends out 5 weekly tweets, and speaks to senior's and other groups on "growing older without growing old" in addition to "time and life management."

He is active in his local church, a member of the board of directors of Sussex & Area Chamber of Commerce, president of the Fundy Silverados Friendship Club, writes a column on business in the Kings County Record, and performs additional volunteer work in his spare time.

His website is [www.taylorintime.com](http://www.taylorintime.com)

# INTRODUCTION

Most time management books and training programs explain the 80-20 Rule, at least superficially, emphasizing that 80 percent of your results are obtained from 20 percent of the things you do. Authors and workshop leaders give example after example of this principle. 20 percent of a child's toys provide 80 percent of their enjoyment, 20 percent of your wardrobe items are worn 80 percent of the time, and 20 percent of your files are referred to 80 percent of the time. One point they make is that you could eliminate 80 percent of the things you do, use or enjoy and only sacrifice 20 percent of their significance. If you were to do that, 80 percent of your precious time would be freed up to devote to more results-oriented pursuits.

But what the workshop leaders and authors fail to mention, is that their own books or training programs are not exempt from this principle. Twenty percent of the ideas provided in the time management books or training programs provide 80 percent of the value. Those are the ideas that make a significant impact on your time and life. The other 80 percent are relatively unimportant, impractical, unworkable or undesirable. They all sound good and most of them make sense. For example, remove the chairs from your office because meetings get over faster when everyone is standing up. Handle each piece of paper only once. Don't procrastinate. Keep a clean desk and work environment at all times. Use hands-free technology to respond to telephone calls while driving, *ad infinitum*. The positive impact of these and hundreds of other suggestions is negligible. Some, like multitasking are downright dangerous.

I have been presenting time management workshops for over thirty-five years. At the end of most workshops I have asked people to record three of the best ideas. Then I asked them to return the form to me in four weeks, indicating the results obtained by putting these ideas into practice. Although less than 10 percent of the people returned the forms, it has become obvious over the years that many of the ideas that were attractive to them were unworkable in practice. The ideas that actually worked were generally those that addressed *how* they spent their time as opposed to how to be more efficient at what they were doing. They are what I consider to be the macro time management ideas as opposed to the micro time management ones. They are the 20% of the suggestions that provide 80% of the value.

People who have changed careers, started their own business, turned around a failing company, changed their lifestyle, resolved relationships, balanced their lives or developed life-changing habits are those who have been able to apply the macro time management suggestions – those significant few suggestions that provide most of the benefits.



When reading books or taking courses on time management or other topics, you should focus on those suggestions that will improve your effectiveness rather than your efficiency. Efficiency is doing things in the best possible way, which is important; but not as important as doing the best possible things.

Apply the 80/20 Rule when you act on any suggestions you may get from this book.

# 1 IDENTIFYING THE 80/20 RATIO

## 1.1 WHAT IS THE 80/20 RULE?

The *Pareto Principle* was named after an Italian economist-sociologist, Vilfredo Pareto, who lived from 1848 to 1932. It states that *the significant items in a given group normally constitute a relatively small portion of the total items in the group*. In Pareto's case, he observed that only a small percentage of the people in Italy controlled most of the wealth. He discovered this was true in other countries as well.

Joseph Juran, in his 1951 book *The Quality Control Handbook*, renamed it the "Rule of the Vital Few." He demonstrated that focusing on the vital few causes of the problems could largely eliminate problems in quality quickly and inexpensively. I recall in my early years of management at American Standard telephoning Joseph Juran and inviting him to Toronto to speak to our association, which was at that time called the Canadian Industrial Management Association. I also recall that nobody, including me, was able to understand any more than 20% of what he said. And I was a quality control supervisor at the time. He was a brilliant man. I never had the opportunity of hearing Pareto himself speak since he died two years before I was born.

Pareto never actually called it the 80-20 Rule. The figures 80 percent and 20 percent were added later. But the *Pareto Principle* soon became widely known as the *80/20 Rule* or *80-20 Principle*.

*"The most formidable weapon for growth in business is the 80/20 principle, creatively applied by individuals and small teams of individuals. "*

– Richard Koch, author of *The 80/20 Principle*

This principle was found to hold true for a variety of situations in everyday life as well as in business. For example, only 20 percent of the inventory in a manufacturing company represents 80 percent of the total inventory cost. Twenty percent of the customers account for 80 percent of the sales. Twenty percent of the sales force generates 80 percent of the sales volume. Twenty percent of your telephone callers consume 80 percent of your telephone time. Eighty percent of your interruptions are caused by 20 percent of your co-workers. Eighty percent of the value in a meeting is derived from 20 percent of the agenda items. Twenty percent of your activities accounts for 80 percent of the value of all your activities. Twenty percent of the floor area in your home gets 80 percent of the wear and tear. Eighty percent of your clothes are worn only 20 percent of the time. Twenty percent of the motorists cause 80 percent of the accidents. And so on.

The figures, 80 percent and 20 percent, are not always the same. You may find that they are 90 percent and 10 percent or 70 percent and 30 percent; but the principle seems to hold true in most situations.

80% of advertising results come from 20% of your campaign.

80% of an instructor's time is taken up by 20% of the students.

80% of customer complaints are about the same 20% of your products or services.

20% of your networking gives you 80% of your referrals.

80% of the useful information on the Internet comes from 20% of the sites.

80% of your enjoyment comes from 20% of the people you spend time with.

20% of a child's toys provide 80 percent of their enjoyment.

20% percent of your wardrobe items are worn 80 percent of the time.

*"The wealthiest 20% of Americans own 83.9% of the country's wealth. "*

– Federal Reserve Board

## 1.2 KNOWING THE 80/20 RULE IS NOT ENOUGH

Knowing these statistics does nothing to increase your effectiveness. Taking action will. Unfortunately, in my experience, most time management courses explain the principle, but spend little time explaining how to use it for your benefit, other than to indicate you should spend as much time as possible working on the significant few, rather than on the trivial many. This application *is* important however.

To increase personal productivity we must not simply concentrate on getting *more* tasks done, but on getting *more important* tasks done. The problem with associating time management with the volume of work is that it forces us to focus on the *number* of things completed instead of the *type* of things completed.

It may be efficient working at one job at a time, chopping items off our "To do" list, but it may not be effective. Efficiency refers to getting things done in the best possible way whereas effectiveness is doing the best possible things. There's a big difference. You may streamline the production of a report so it's accomplished swiftly, efficiently and on time. But if the report does nothing to further the goals of the organization, it's a waste of time.

So effective time management involves focusing on the priorities and not being sidetracked by all the other things that are vying for our attention. We must concentrate on the 20 percent of the activities that produce 80 percent of our results.

## 2 APPLYING THE 80-20 RULE TO YOUR BUSINESS

### 2.1 EXAMPLES OF 80/20 SITUATIONS

I'm sure that most people have had the 80/20 Rule explained to them if they have ever attended a time management seminar. But the 80-20 Rule applies to more than simply identifying the most important 20% of our jobs. To have the greatest impact on profit, it must be applied in as many areas as possible.

Let's look at some examples of what I mean by applying the Rule. If only 20 percent of the inventory items represent 80 percent of the value, these are the ones that you would keep under lock and key, perhaps requiring a signed requisition slip for their removal. But you wouldn't waste time and money trying to protect the other 80 percent to the same degree. You will see an example of this in the large retail stores where the small, valuable items are in locked glass cages, while the bulk of the items are displayed on accessible shelves.

In industry, the ABC system of inventory control was simply an extension of the 80-20 Rule. Great care was taken in storing and counting those items that had the greatest unit cost or value. But the bulk of the small items such as the nuts and bolts and cotter pins were kept in small kegs and counted by weighing them.

*"Those who make the worst use of time most complain of its shortness."*

– La Bruyere, French novelist

In sales, if you agree that 20 percent of your current customers are providing 80 percent of your sales, taking action might include giving those customers the golden glove treatment, keeping in contact with them, providing additional services and inviting their feedback on your product or service. In other words, 80 percent of your contact time might be with those 20 percent of your customers. Action might also involve trying to get more customers of that caliber as well.

If 20 percent of your salespeople or distributors account for 80 percent of the sales, these are your most valuable people and you should support and encourage them with additional training and rewards. Not that you should ignore the low producers, because you want them to improve. But realizing a one percent increase in sales by the top producers will affect the bottom line more than a similar increase in the low producers' sales.

As far as the telephone is concerned, if you find that 20 percent of your callers are consuming 80 percent of your telephone time, you should make every effort to shorten those calls. As soon as you have identified the caller, you might get directly to the business at hand with a response such as “Hi, Bill. What can I do for you?” Control the call and don’t be afraid to say goodbye.

Eighty percent of your interruptions come from 20 percent of your co-workers? Take action. Perhaps talking to those offenders and explaining your problem and suggesting they reduce their visits might help. Don’t agree to meet them without first knowing the time it will take. Put off non-urgent items until later. Refer them elsewhere. Have stand-up meetings. Do something to reduce that wasted time.

Is eighty percent of the value in a meeting derived from 20 percent of the agenda items? If you find this is true for your meetings, you can probably tell in advance which items will generate the valuable outcomes. Put them first on the agenda before all the time is consumed. Allocate more time for these important agenda items and less time for the less important ones.

Twenty percent of your activities generate 80 percent of your results. As already mentioned, these are the precious few that frequently get lost among the trivial many. These are the activities that should be scheduled in your planner. Don’t leave them on a “To Do” list where they could be postponed indefinitely. Remember that time management is not getting more things done; it is getting the *more important* things done. And items on a To Do list are intentions; items scheduled in your planning calendar are commitments.

The Rule applies to training as well. If only 20% of our workshop attendees apply about 80% of the ideas that we give them in workshops, we should be figuring out how we can increase that number. Can we change the teaching method, can we make it more interactive or personal, can we build in follow up sessions or make them more accountable?

At work, if 80% of our time is being spent on only 20% of the activities we love, can we contract out those routine, boring parts of our job or delegate them to someone else? Are we working on low-return jobs that can be eliminated? Sometimes it’s the low-return jobs that consume the most time.

*“Less is more when we concentrate on the few things that are truly important, not the least of which is happiness for ourselves and our loved ones.”*

– Richard Koch, author of Living the 80/20 way

On a more personal level, if only 20 percent of your house gets 80 percent of the use, that part of the house should receive the most attention. Who needs a tidy attic? And if 20 percent of our clothes are getting 80 percent of the wear, what are we doing with all those other clothes taking up prime space? If we can't bear to part with them, at least we can store them out of the way in that spare closet.

And if 80 percent of the accidents are indeed caused by 20 percent of the drivers, perhaps anyone having an accident should be required to take safe driving training before they have their second accident. (But that's probably beyond our control.)

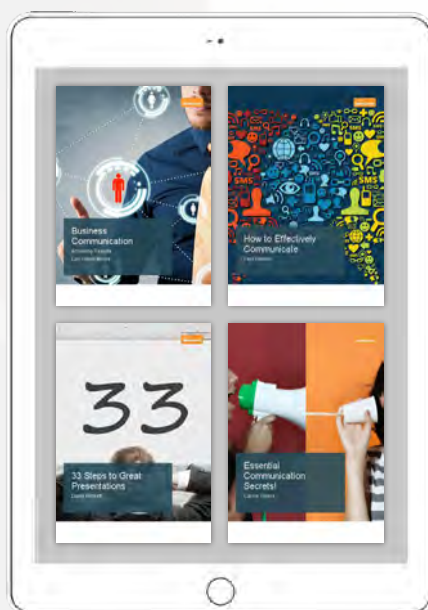
The actions just mentioned may not be the best ones to take, but the point is, you should brainstorm ways to change the ratio once you find that the 80-20 ratio exists in specific areas of your business or life. In most cases this 80-20 ratio is not what you want it to be. You don't want 20 percent of the volunteers doing 80 percent of the work or 80 percent of the mistakes being made by 20 percent of your staff. If the ratio is not favorable, that's the cue to take action.

## 3 CHANGING THE 80-20 RATIO

### 3.1 PERSONAL EXPERIENCES IN APPLICATION

Just because Pareto's Principle holds true in a variety of situations, doesn't mean the ratio cannot be changed. Use it as an indicator that action should be taken, and take action accordingly. Just because it's referred to as a principle doesn't mean it has to apply to your company. Most people I encounter who are aware of the Pareto Principle think it's a natural phenomenon that just is. They don't try to change it.

I'll relate some of my own experiences. When I launched my career as a speaker and workshop leader I was speaking on at least ten different topics, including leadership, motivation, creativity, memory training, delegation, and communications and of course, time management. There is logic in diversity. I could be booked over and over again by the same clients. But it made my life more complex. I was under greater stress having to keep up to date on multiple topics and overwhelmed by the time demands.



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Registrations for the seminars and in-house bookings indicated that 80 percent of the interest was focused on 20 percent of the topics. Registrations were much higher for memory training and time management. And I received far more requests for talks on time management than for any other topic.

So I decided I would give up everything except time management. Now I was able to spend more time on researching this one topic. All the promotion, publicity and articles that I produced were concentrated in one area. I was able to gain expertise and recognition as an expert in time management. Fee increases were accelerated. Workshops became more profitable. I had fewer sets of notes, fewer PowerPoint slides. My life became simpler. And I became a lot more knowledgeable and proficient in speaking on the one topic. The result was a greater demand for my services.

*"The ability to simplify means to eliminate the unnecessary,  
so that the necessary may speak."*

– Hans Hoffman, artist

I later had a similar experience with products. We used to have a huge variety of planners and products. Many of the products were purchased from others and resold. But the large portion of the total product revenue came from products that I had developed myself. I'm not sure if it was 80 percent or not. But I decided to promote only my own products since they were the ones with the largest markup.

We also simplified our line of planners. We used to sell vinyl planners in brown, black and blue. About 80 percent of our customers bought black. So we decided to sell black only. Inventory costs were reduced. We were able to purchase larger quantities of one color at a lower cost. Order processing was simplified. Fulfillment was simplified. Profits increased.

A classic example of the 80/20 Rule at work was evident in our promotional mailings. In the days before electronic mail, we used to mail catalogs to 12,000 past clients and prospects at least three times per year whether they purchased anything or not. But how many people were no longer buying our products? Could it be that 80 percent of the orders came from 20% percent of the customers on our database? I decided to mail only to those customers who had purchased something within the past three years.

The mailing dropped from 12,000 to just fewer than 5,000 people, yet the sales remained the same. Our costs were cut in half. Half the postage, half the mailing costs, half the brochures, half the stuffers. Since then we mailed to only those who had purchased something within the past three years. We relied on networking, word of mouth and occasional targeted promotions to gain new customers. Later, with the introduction of the Internet, new opportunities emerged.



Even in our other association management company we found that about 80 percent of our revenue came from 20 percent of our clients. Unfortunately the other 80%, which collectively consumed the bulk of our time, only generated 20% of the total revenue. So we treated each customer as a profit center and got rid of the ones that did not generate a fair profit. Forget about contribution to overhead and future potential. A few profitable clients are worth a hundred mediocre clients. By increasing our fees to those time-consuming clients who were offsetting the profitable ones, we were able to improve our bottom line. Some clients balked at the large increase in fees and went elsewhere, which wasn't a bad thing. Others realized they had been getting a huge bargain, and paid their fair share, and stayed with us.

You should be aware that there are high-maintenance, low revenue clients who frequently consume the profits made on low maintenance high revenue clients.

In my speaking business I quickly revised my fee structure, and concentrated on giving quality programs to well-paying clients.

Other companies have found similar ratios. I read at that time that Toronto-based Royal Bank of Canada, for instance, worked out how much profit each of its customers provided. They discovered that 17 percent of their customers yielded 93 percent of the profit.

## 4 KEEP YOUR BUSINESS SIMPLE

### 4.1 COMPLEXITY MUDDIES THE WATERS

When entrepreneurs start out, usually everything is uncomplicated and straightforward. Unfortunately income is usually low as well. So they progress from simplicity to complexity, usually in order to increase revenue. Multiple products, and services generate the need for more time, effort, inventory, accounts receivable, overhead, staff and so on. Initially, that's okay. But it eventually produces a barrier that limits profits.

Some entrepreneurs mistakenly measure success by how big the company becomes – how many employees, how much office space, the amount of gross sales etc. Yet it's not how much money you earn but how much you keep that's important - and how much time you have at your disposal for your personal interests, family, friends, relationships, and leisure activities. You need time to explore your purpose for being on this earth. And you need time for balance in your life.

The 80 –20 Rule can simplify your company. The larger the company, the greater the impact the 80-20 Rule has on the bottom line. The 80-20 Rule suggests that one-fifth of a company's revenues account for four-fifths of its cash and profits.

*"It is not necessary to do extraordinary things to get extraordinary results."*

– Warren Buffett

For example, if you have sales of \$500,000 and profits of \$25,000, your profit is 5% of sales. Nothing to brag about. But if the 80-20 Rule applies, \$100,000 of sales produces \$20,000 of the profit (20% return on sales) and \$400,000 of the sales produces \$5,000 of the profit (1.25% return on sales). The top fifth of the business is 16 times more profitable than the rest of the business. If you organize differently, you could make the higher profit on the profitable part of the business and scrap the rest.

The unprofitable part of the business is probably a result of complexity. Complexity always causes problems and unexpected costs.

## 4.2 SEEK SIMPLICITY

Here are five ways of simplifying your business and personal life.

1. Don't carry more products and services than your customers really want. Don't introduce complexity that your customers won't pay for.
2. Specialize in one thing and do it with excellence and imagination.
3. Outsource where feasible. Concentrate on what you like and are good at and outsource the balance.
4. Focus on the profitable segments of your business. A simple business is always better than a complex business. Spend most of your time, energy and money on the people, program and products that produce most of the results.
5. Keep your personal life simple. Material things consume a lot of our time and tend to complicate your life. Learn to get along with less. People spend their precious non-renewable resource, time, in order to acquire more money and possessions, only to discover that the possessions do little to further their enjoyment of life.

## 4.3 LET'S LOOK AT THE COST OF COMPLEXITY

Selling more of the same thing always reduces costs. But making variations to existing products and developing new products involves overhead and hidden costs. If you have to seek out new customers, it is worse. There is a high initial cost in recruiting new customers.

Richard Koch referred to a study of 39 middle sized German companies that found only one characteristic differentiated the winners from the less successful firms - simplicity. The winners sold a smaller range of products to fewer customers and had fewer suppliers.

Koch concluded that cutting the number of products, customers and suppliers usually leads to higher profits since it allows you to focus on the most profitable activities, and it also allows you to cut costs drastically. Drop the less profitable customers and products, raise prices, and don't be discouraged if sales initially decrease. They will probably pick up again. And even if they don't, you're making more money with less effort.

*"It is a simple task to make things complex, but a complex task to make them simple."*

– Myer's Law

Henry Ford became the richest man in the world at one point with his Model T car, which was available in any color as long as it was black. McDonalds found out what people wanted and supplied it in quantity at reasonable cost.

Michael L. George and Stephen A. Wilson, in their book, *Conquering Complexity in your Business* (McGraw-Hill, 2004) offer three rules of complexity for business:

1. Eliminate complexity that customers will not pay for.
2. Exploit the complexity customers *will* pay for.
3. Minimize the costs of the complexity you offer.

George and Wilson claim that most businesses carry more products and services than their customers really want.

Jim Collins, in his book *Good to Great* (Harper Collins, 2001) cites simplicity as one of the factors in the exceptional success of some of the great companies. He says they take one simple concept and do it with excellence and imagination. Collins' formula for success involves three things: Doing work for which you have a God-given talent, getting paid well for it, and loving the work you do. He quotes Warren Buffet of Wells Fargo, "They stick with what they understand and let their abilities, not their egos, determine what they attempt." Wells Fargo people claimed they focused entirely on those few things they knew they could do better than anyone else and didn't get distracted into areas that would feed their egos and at which they could not be the best.

Outsourcing is also a great way of cutting complexity and costs. Focus on the profitable segments of the business. A simple business is always better than a complex business. Spend most of your time, energy and money on the people, program and products that produce most of the results. The power of the 80-20 Rule lies in its implementation.

One the best ways to conserve time and energy in an organization as well in our personal lives is to keep things simple. The more products and variations of products we sell, the more complex we make things. We multiply our inventory, work in progress, suppliers, overhead and hidden costs.

## 5 FIGHT PERFECTIONISM BY APPLYING THE 80/20 RULE

### 5.1 THE PROBLEM WITH PERFECTIONISM

Let me quote from an article that I once wrote for a column I was writing for the *Mississauga Business Times*. It illustrates the relationship between the 80/20 Rule and perfectionism. It was titled *Leave well enough alone*, with the subtitle, *Strive for results, not perfectionism*.

It starts out by saying, “Please don’t be offended; but I intend to spend only one-fifth the time it would take to write an excellent article - or even a great one. In that reduced period of time I will only approach 80% of what I feel I am capable of doing.

“It takes about one hour to write an article of this quality. To edit it into a great article would take five times as long. The amount of time and energy increases exponentially as you approach perfection. Does an article warning you of the cost of perfectionism really warrant five hours of my time?”

“This is why it seldom pays to delay decision-making until you get all the facts or to spend an inappropriate amount of time on any task. The extra value received by doing a near perfect job rarely justifies the cost of the additional time spent. Always let the amount of time spent on any task be proportionate to the importance of the task. Don’t be a perfectionist.

*“Strive for excellence instead of perfectionism. Excellence is achievable; perfection seldom is.”*

– Rita Emmett, in *Manager Your Time to Reduce your Stress*

“This applies to every task you do, even writing. I have written over 300 articles to date for my blog at [Taylorintime.com](http://Taylorintime.com). They will never win the Pulitzer Prize for writing; but that’s not my goal. My goal is to help others by sharing as many ideas as possible with my readers. (The underlying reason for this, of course, has been to keep people coming back to my website and perhaps buy a product or attend one of my workshops.)

“Would spending more time on the articles to improve their readability really make a big difference if people read the articles to get ideas or suggestions that might help them? I have had no complaints yet. Of course, I realize that 20 percent of the readers could be *thinking* the articles are terrible without actually complaining; but I’m happy to successfully satisfy the 80 percent.

“You should ask yourself a similar question every time you’re tempted to make a simple project into a work of art. Let the time spent be proportionate to the value of the task. Budget your time. There’s only so much time and to go around. Spending a disproportionate amount of time on one task will result in less time available for other tasks.

“Many people do an excellent job simply because they’re capable of doing it. It’s akin to spending half the exam time on one question simply because you know that topic inside out, when the most you can obtain for a perfect answer is a tenth of the total marks. As a result you fail the exam simply because there wasn’t enough time left for the other nine questions.

“The 80/20 Rule suggests that 80 percent of the results can be achieved in 20% of the time. If you could make do with 80 percent, you could accomplish five times as much. Certain jobs may *require* perfection. Ask yourself what the impact would be on the company or your job if you settled for less than perfect. I asked myself that question many years ago when I started writing a column for the Mississauga Business Times. The editor did not insist on perfection. If he did, none of my articles would have been published.

And if I had insisted on perfection myself, I would have had only forty articles published in the newspaper during that time period, instead of over two hundred. I think I was able to communicate a lot more information through those two hundred articles. In many situations, quantity should take priority over quality. Leave well enough alone. “

*“He who knows enough is enough will always have enough.”*

– Lao Tzu

## 5.2 THE RATIO CAN BE A TIP-OFF TO TROUBLE

Depending on the stage of your career or business that you are in, the 80/20 ratio can be a danger signal. Ten years ago, 80% of my income came from speaking and delivering workshops and corporate training and only 20% came from other sources such as product sales. As long as I was young and healthy and enjoying myself, there was nothing wrong with that. But the problem was that the company relied on me personally for the bulk of the income.

If I were old and feeble, incapacitated or hospitalized back then, the company would soon have folded. If I were suddenly unable to speak in public, we’d be in trouble. So I immediately set a goal to reverse this ratio so that 80% of the income was derived from products and only 20% from speaking. That’s why at that time the number of products increased. Especially the information products and training products such as self-study programs, audio recordings, web-based materials and pre-recorded seminars. It was a long-term goal and allowed me to semi-retire earlier than originally planned

Does the 80-20 Rule apply to your business, career or life? Think about it. Then take action. It has helped me immeasurably.

### 5.3 AVOIDING PERFECTIONISM

Perfectionism is said to be the desire and the self-imposed expectation to achieve the highest level of performance. So for some people, nothing less than perfect is acceptable. But perfect cannot really be defined; because most things can always be made better, whether it is an article you are writing, a training program you are designing or a meeting you are attending. I wager everyone has had an experience where they spent countless hours “perfecting” something only to have someone criticize it or offer suggestions for improving it.

The answer is not to try to keep improving the item endlessly; but rather to learn how to accept such criticism without taking it personally.

Your brain wants to achieve your goal; but you must supply it with a set of criteria so it knows exactly what you want. A deadline is only one of three essential criteria. You have to create balance among three criteria - quality, time and cost.

Quality refers to how good your project or task has to be in order to fulfil its purpose. Time refers to when it has to be completed. Cost refers to expenses such as labor, personal energy, materials and so on.

Perfection is out of the question. No company or individual could afford the time and cost to attain such a degree of quality even if it were possible. The time alone that would be required might approach infinity.

*“Without sovereignty over our time, it’s nearly impossible to have autonomy over our lives.”*

– Daniel Pink, in his book Drive

The balance you’re aiming at can be represented by the following equation:

$$\text{Quality} + \text{Time} + \text{Cost} = \text{Value of outcome.}$$

The equation,  $Q + T + C = V$  is true at the “breakeven point,” where the degree of quality, time consumed and cost of resources equals the value of the outcome to either you or the company. You certainly don’t want to spend more than the results warrant, just as a company wouldn’t want to spend \$100,000 a year to sell a product that brings in \$50,000 a year.

If either you or someone else puts an unrealistic deadline on a project, either the quality must decrease or the cost must increase. You can't have everything. Emotionally you may want everything; but logically or intellectually you know that you can't have it.

To maintain balance, consideration must be given not only to the time allowed to complete the project, but also the quality expected, the cost you are willing and able to invest, and the value of the results that you're aiming to achieve.

Perfectionists are quality-oriented, and in many cases are blind to the other criteria involved. To avoid perfectionism, you must use the power of your brain's prefrontal cortex – the executive of your brain – to focus on the realities of the situation and the value of the outcome expected. This is the actual goal when working on any task, project, meeting or activity. And as Dr. Theo Tsao sides states in his book, *Brainblocks*, “our brain is hardwired to set and achieve goals.”

Always pay attention to what you're doing, but keep your main focus on the outcome you want to achieve. This is the outcome that you will have thought through in advance – your goal - which always takes into consideration the time, quality and cost aspects of the project, task or activity. These criteria would have been determined at the outset when you set your goal, making it unnecessary to obsess over quality or any of the individual criteria.

If people complain about the quality, be assured that they are not criticizing you; they are simply complaining about the fact that they can't have it all. The most they can have is any two of the criteria mentioned.

If they want a project or task done faster and cheaper, it will be of poorer quality. If they want it done faster but with better quality, it will be more expensive. Or if they want it done with better quality but cheaper, it may be possible, but it will take longer.

You can always improve on any task project or activity you perform. But question whether by doing so you would put the equation out of balance with greater quality, time and cost than the outcome would warrant.

In most cases you will find the good enough is good enough.

*“It often takes 50 percent or more of the total effort to squeeze out the last 10 percent or so of quality or whatever it is perfectionists want out of a situation. Not a good investment of time.”*

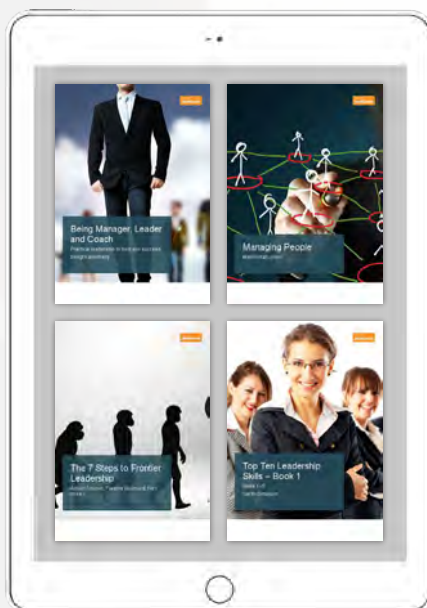
– Jeff Olson, in his book, *The Agile Manager's Guide to Getting Organized*



## 5.4 ARE YOU A PERFECTIONIST?

If you find yourself taking great pains to hang every painting at the same height to the exact millimeter and scrubbing your glass with soap and water every time you have another drink of water, you might qualify as a perfectionist. We all like to do a good job, but what sometimes promises satisfaction delivers the opposite. Perfectionism steals our time, puts us under pressure and distracts us from our goals. The amount of time spent on some tasks is far out of proportion to the results we achieve. Here are a few suggestions to curb your perfectionist tendencies.

1. Ask yourself the question, “What would be the impact on the company or family or career if this project were submitted as it is?” If the answer is “nothing,” it would probably be counterproductive to spend more time refining it.
2. Let the amount of time allocated be proportionate to the value of the project.
3. Spend time based on objectives, not feelings.
4. Accept yourself for who you are and don’t measure your worth by how well you do a job. Evaluate your use of time, and strive to maintain balance in your life.



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What usually differentiates a perfectionist from a planner is the value of the task being worked on. Normally, about 20 percent of your activities produce 80 percent of your results. Identifying those 20 percent, and spending twice as much time on them as your competitors are spending, is not necessarily being a perfectionist. It's could mean you're being a smart marketer. Your value proposition could be similar to Avis when they claimed they "try harder."

According to Jeff Olson, author of the book *The Agile Manager's Guide to Getting Organized*, it often takes 50% more of the total effort to squeeze out the last 10% or so of quality or whatever it is that perfectionists want out of a situation. You could always do a better job of writing an article or cleaning a room or mowing the lawn; but the amount of additional benefit or the extra bit of quality would be way out of proportion to the amount of extra time you would have to spend.

## 6 THE 80/20 RULE APPLIES TO A VARIETY OF SITUATIONS

### 6.1 PARETO VISITS A RETAIL STORE

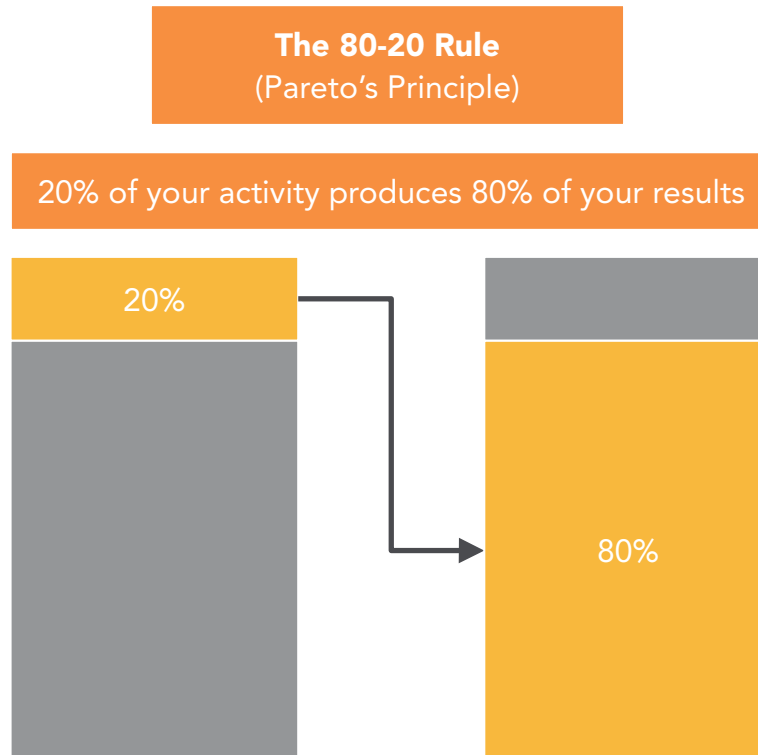
Knowing these ratios does nothing to increase business; but taking action will. See where this principle applies in your business or other areas of your life, and then see what you can do to improve the situation if necessary. If you are in the retail business, for example, here are five examples of the type of action you might take in order to increase sales and increase profitability.

*"The value of an idea lies in the using of it."*

– Thomas Edison

1. If 80 percent of the traffic takes place during 20 percent of the day, identify this time period and declare it sales time. Have additional staff during this time if necessary. Make sure everyone devotes as much time as possible to customer service and selling. Tell your staff not to work on administrative tasks or take coffee breaks during that time period. They can do the maintenance and administration tasks during off-peak times.
2. If 80 percent of the sales seem to be generated by 20 percent of the staff, train all employees on the basics of up selling and customer service as well as product knowledge. And make sure those staff members who interact well with customers are not hidden away in the back room. Recognize their performance. Provide additional training. A 10% increase in their performance will make a greater impact on the bottom line than a 10% increase in the performance of your least productive employees.
3. If about 80 percent of the shoplifting occurs in 20 percent of the available hours, security should be concentrated during these peak hours. And you should be well staffed. There is a correlation between shoplifting and customer service so interaction with customers should be greatest during this time period as well.
4. If 80 percent of the sales come from 20 percent of the store's traffic, figure out how to get even more sales out of those existing customers. According to some marketing experts it costs five to ten times as much to find a new customer as it does to retain an existing one. And since regular customers buy more, make more referrals and are less price-sensitive, it would pay to get to know your customers. It would also be wise to see how you can get more traffic into the store and keep them there longer, since sales varies with the length of time spent in the store. You could also attempt to convert some of those 80 percent browsers into customers.

5. If 80 percent of your sales take place during 20 percent of the year, you must maximize the use of this prime selling time to generate as many sales as possible. But you should also try to convert lower sales months to higher sales periods.



The Pareto Principle could apply to the names on your promotion list, the source of shrinkage, customer complaints, returns, and staff lateness as well as other areas. When you spot a Pareto Principle ratio, take action.

## 6.2 PARETO IN THE CLASSROOM

The Pareto Principle or 80/20 Rule applies to writing exams as well. People tend to spend 80 percent of their time on questions that bring only 20 percent of the marks. They do this by spending more time than necessary of the easier questions or ones they happen to know inside out. Then they run out of time and rush through the balance of the test, doing poorly on the balance of the questions.

If you have to write an exam for a designation, degree or accredited course of any kind, don't spend too much time on those nice, familiar questions that you know so much about. Just write enough to get you the grade; don't provide an essay when one isn't required. If it's worth 10 marks, writing 100 pages on it will still only get you ten marks.

Plan your time by allocating the number of minutes to be spent on each question based on its value. For example, if the exam is three hours and all ten questions have equal value, you might allow fifteen minutes for each question and 30 minutes for reviewing your work. But if one question is worth 20 percent of the marks, assign 20 percent (thirty minutes of the available time) to that question.

Answer the questions starting with the easiest ones, and stick to your assigned time limit. If you find yourself struggling with a question and spending more than the allotted time, leave it and go on to the next question. You can return to it if you complete other questions in less than the allotted time.

Walk into the exam room completely relaxed and refreshed; telling yourself you are going to do well. Don't allow negative thoughts to cause nervousness and tension. If you feel uptight, talk yourself into relaxing. Try deep muscle relaxation or slow breathing from the diaphragm if it helps. Above all, put the exam in perspective. If you fail it is not the end of the world.

Read over the entire exam first, marking the easiest questions and noting the number of marks assigned to the different questions. Pay particular attention to the instructions. Many students answer more questions than are called for, or don't realize until too late that they had a choice of questions to answer.

*"Find the 20% or less that you are outstandingly good at, then ask other people to perform the rest."*

– Richard Koch, in his book, "The 80/20 Principle."

### **6.3 INVOLVE YOUR EMPLOYEES IN EXAMINING THEIR OWN JOBS**

By identifying and focusing on the 20 percent of the time and effort that produces most of their results, your employees can use their time more effectively. Effective time management involves focusing on the priorities and not being sidetracked by all the other things that are vying for their attention. They must concentrate on the 20 percent of the activities that produce 80 percent of the results.

A good way of getting the point across is to have them think about scenarios in their own lives that seem to follow this principle. Some of them could be similar to the examples provided above. You might start by sharing some experiences of your own. Then discuss actions your employees could take to focus on those activities that currently consume the least amount of time but bring the most enjoyment and greatest results.

If you want to make a point at a training session or staff meeting, one illustration that makes the point is tossing 80 one-dollar bills and 20 twenty-dollar bills on the floor. (Of course when you do this, you may want to use phony money.) Tell each person in turn to pick up all they can in 5 seconds, picking up only one bill at a time. Most people would zero in on the twenties. But they probably aren't doing that in their own jobs with the important projects, tasks, or with their activities away from the job.

# 7 APPLYING THE 80/20 RULE TO YOUR OWN SITUATION

## 7.1 MAKING A DIFFERENCE IN YOUR COMPANY

Here's where the rubber hits the road. How can you improve the profitability of your company or the quality of your products and services, or the working conditions, hours of work or whatever by applying the 80/20 Rule to your company? Start by looking at different functions performed in your business – manufacturing, inspection, inventory, sales, marketing, promotion and advertising, customer service and so on.

Take a look at your personal life as well. You might be able to make improvements in your relationships, lifestyle, time use, life balance, finances, family life, recreational activities and so on.

Here are some examples of areas where the 80/20 Rule might apply. Many of them have already been mentioned throughout this book. Check those that apply to your company or situation and then brainstorm other additional areas where the 80/20 situation might apply as well.

## 7.2 SUMMARY OF WHERE THE 80/20 RULE COULD APPLY

### PERSONAL

- 20% of a child's toys provide 80 percent of their enjoyment,
- 20% of your wardrobe items are worn 80 percent of the time
- 20% of your files are referred to 80 percent of the time.
- 20% of the floor area in your home gets 80 percent of the wear and tear.
- 20% of the motorists on the road cause 80 percent of the accidents.
- 80% of your enjoyment comes from 20% of the people you spend time with.
- 20% of our time is being spent on the 80% of the activities we really love.
- 20% of your house gets 80 percent of the use
- 80% of our personal telephone calls are to 20% of the people in our address book.
- 80% of the traffic in your city travels over 20% of the roads.
- 80% of your success comes from 20% of your efforts.
- 20% of your expertise gives you 80% of your revenue.
- 20% of your daily activity gives you 80% of your results.

## **BUSINESS**

20% of the inventory in a manufacturing company represents 80 percent of the total inventory cost.

80% of the value of a meeting is derived from 20 percent of the agenda items.

20% of your telephone callers consume 80 percent of your telephone time.

80% of your interruptions are caused by 20 percent of your co-workers.

20% of the inventory items or office supplies represent 80 percent of the total value.

20% of your activities generate 80 percent of your results.

80% of the value in a meeting derived from 20 percent of the agenda items

80% percent of your interruptions come from 20 percent of your co-workers

80% of the mistakes are being made by 20 percent of your staff.

80% of a manager's interruptions come from the same 20% of the people.

80% of customer complaints are about the same 20% of your products or services.

80% of the results can be achieved in 20% of the time

80% of the decisions made in meetings come from 20% of the meeting time.

80% of important work is accomplished during 20% of our working hours

20% of your paperwork represents 80% of their importance.

20% of your incoming email represents 80% of their total importance.

80% of your company's growth comes from 20% of your products or services.

## **TRAINING & EDUCATION**

20% of the suggestions at workshops provide 80% of the value

80% of the exam time is spent on those questions that earn only 20% of the marks.

80% of the interest was focused on 20 percent of the topics

80% of an instructor's after-class time is taken up by 20% of the students.

## **SALES**

20% of your customers purchase 80 percent of your products or services.

20% of the sales force generates 80 percent of the sales volume.

80% of advertising results come from 20% of your campaign.

80% of customer complaints are about the same 20% of your products or services.

20% of your networking gives you 80% of your referrals.

20% of your salespeople or distributors account for 80 percent of the sales

80% of a store's traffic takes place during 20 percent of the day.

80% of shoplifting occurs in 20 percent of the store hours



80% of the sales come from 20 percent of the store's traffic  
80% of your sales take place during 20 percent of the year.  
20% of your current customers are providing 80 percent of your sales  
80% of sales time is spent on 20% of the customers, who may not be the profitable 20%.  
80% of your business comes from 20% of your customers.  
80% of your profits come from 20% of your customers.  
20% of your networking gives you 80% of your referrals.  
80% of the new sales a salesperson makes come from 20% of their cold calls.

## **CHURCHES**

80% if the financial giving is from 20% of the members.  
80% of the volunteer work is carried out by 80% of the members.  
80% of the attendees sit in the same 20% of the pews.  
80% of the most active members are from 20% of the most recent members.  
80% of the spiritual growth of members takes place during the first 20% of their church membership.  
20% of the church members receive 80% of the attention from the church leaders.  
20% of the things church leaders do to encourage growth is responsible for 80% of the actual spiritual growth of the members.

## **MISCELLANEOUS**

80% of the useful information on the Internet comes from 20% of the sites.  
20% of the volunteers do 80 percent of the work.  
80% of your website traffic comes from 20% of your pages.  
80% of the useful information on the Internet comes from 20% of the sites.  
80% of the world's resources are consumed by 20% of the population.  
20% of the patients use 80% of the healthcare services.  
80% of the value of a book can be found in 20% of its pages.  
Less than 20% of the Earth's surface produces 80% of its mineral wealth.  
Less than then 20% of all recorded music is played more than 80% of the time.

### 7.3 ADDITIONAL AREAS WHERE THE 80/20 RULE MAY APPLY IN YOUR LIFE

As you think about your own company and personal life, jot down additional areas that come to mind where the 80/20 Rule might also apply. Where possible, verify them with any actual figures that are easily available. The actual ratios may vary considerably. You are looking for areas where changing the ratio will have a major impact on the improvement of your company – especially in the areas of sales and profitability.

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### 7.4 TIME TO TAKE ACTION

Summarize these areas on the left side of a ruled page – a form similar to the one below - and jot down ideas for changing the ratio to benefit the company and yourself. For example if you discover that about 25% of the visits to your blog is on one topic in particular, in the right hand column you might want to jot down ideas such as “Write more articles on this topic; place links in those type of articles to promote other products or services; spend more time crafting headings that would be more likely to match what the searcher would “Google” and so on.

If you were a church leader and you believe that 80% of the volunteering for ministries is coming from only 20% of the members, in the right hand column you might write “Offer leadership training courses for everyone; deliver a sermon series on spiritual gifts and the value of volunteering from a biblical perspective; approach members who you think would be great teachers, ushers, greeters or whatever and encourage them to participate,” and so on.

It’s really a two-step process. Identify where these off-balance and undesirable ratios are occurring, and take action to change the ratio. Don’t expect it to change drastically overnight. But once you are aware of the situation, and accept the fact that the ratio can be changed, it’s just a matter to continue trying out ideas and suggestions that might modify the ratio.

You will soon discover that the 80/20 Rule is not a rule.

[illegible]

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