

80-20 Principle

Richard Koch

Overview

- Wilfredo Pareto - 1897
 - Wealth Distribution is 80-20
- What is it
 - 20% of effort yield 80% of the rewards
 - 20% of work yields 80% of Results
- Key Concepts
 - Vital Few – Trivial Many
 - Most things are not important
 - LEVERAGE => Effort and Rewards are not co-related
 - Every Resource has its Arena
 - Heavy machinery in construction
 - Our Job – to move the resource to the right Arena

Business

- Segmentation
 - Segment to find the 80-20 leverage
 - Customer base, product base, profitability, demographics, usage,
- Simplicity
 - Beautiful. Fast. Cheap.
 - Complex = Ugly, Wasteful
- Vital Few Customers
 - Focus on 20% customers
 - Work on very specific Niche
- Quality
 - 80% of the problems – 20% of the causes
- Systems
 - 20% simple.
- People
 - In their areas of strength
- Effort- Reward Relationship
 - Focus on Highest Value Activities

Personal

- Recipe for greatness
 - Intersection of Joy and Achievement
 - What you are better than 95% at
 - What you enjoy more than 95 % of other activities
 - Select/Create your Race, Game, Arena
 - Play to your strengths
 - Play The game you design. The game you want to win.
 - Focus. Choice
 - Only doing the most important
 - Only doing the Highest Value
 - Operate in a Very specific Niche
- Relationships
 - Nothing is more important than the people you chose
 - Fewer and Deeper
 - 20% of relationships give you 80% of the value
- Must Seek Joy
 - Not daily grind. Not Humdrum.
- Identify -> Multiply
 - Identify parts of your character, work, lifestyle, relationships that give you exponential rewards compared to daily grind
 - Multiply them

Assignment 1 - Business

1. Segment your business in 10 different ways to see where you can get closest to 80-20 leverage.
 - a. Example Segments: Demographics, Marketing channels, profits, revenue, sales team etc.

Assignment 2 - Personal

1. Personal Greatness - What is the area of intersection of Joy & achievement for you?
 - a. Create a game that you want to win and you know you will win

Assignment 3 - Relationships

- 1. Identify the top 20 people you spend most time with and rank them on how they are moving you forward in life
 - 1.1. What changes do you need to make in your relationships? Fill out the table below

| | Name | Name | Name | Name |
|-----------------------|------|------|------|------|
| Spend More time With | | | | |
| Spend less time with | | | | |
| Completely disconnect | | | | |
| New people to Add | | | | |