

Top 10 Lessons From "The 80/20 Principle" by Richard Koch

The Secret to Achieving More with Less

**1. Definition**

- a. A good hypothesis or benchmark is that 80% of results or outputs result from 20% of causes, and sometimes from a much smaller proportion of powerful forces.

**2. 80/20 vs. 50/50**

- a. It is very rarely true that 50 percent of causes lead to 50 percent of results.
- b. The universe is predictably unbalanced.
- c. Truly effective people and organizations batten on to the few powerful forces at work in their worlds and turn them to their advantage.

**3. Counterintuitive**

- a. The reason that the 80/20 Principle is so valuable is that it is counterintuitive.
- b. We tend to expect that all causes will have about the same significance.
- c. That every bit of business, every product, and every dollar of sales revenue is as good as any other.

**4. Use our time**

- a. The general consensus is that we are short of time.
- b. His application of the 80/20 Principle suggests the opposite: that we are actually awash in time and waste it.

**5. Cost-cutting**

- a. All effective cost-cutting strategies make use of three 80/20 insights:
  - i. Simplifying by eliminating unprofitable activity
  - ii. concentrating on a few key drivers of improvement
  - iii. performance comparison

**6. Effort**

- a. Most great accomplishments are the result of a combination of consistent effort and a flash of insight.
- b. The key is not to exert effort, but to find the right thing to accomplish.

**7. Complementary**

- a. Although the 80/20 Principle appears to have two opposing dimensions (efficiency and life enhancement), the dimensions are entirely complementary and interwoven.
- b. The efficiency dimension makes room for the life enrichment dimension.

## **8. Data analysis**

- a. The 80/20 Principle can be examined and analyzed, the most likely result is that there will be a pattern of imbalance.
- b. The imbalance may be 65/35, 70/30, 75/25, 80/20, 95/5, or 99.9/0.1, or any set of numbers in between.

## **9. Apply 80/20 Principle**

- a. What I call 80/20 Thinking is a new and complementary way to apply the 80/20 Principle.
- b. This requires in-depth consideration of any issue that is important to you, as well as a determination of whether the 80/20 Principle is in effect in that area.

## **10. "Principle of least effort"**

- a. According to Zipf's principle, resources (people, goods, time, skills) tend to organize themselves in such a way that approximately 20-30% of any resource accounted for 70-80% of the activity related to that resource.