

How You Can Be More Productive Knowing About the 80/20 Principle

The 80/20 Principle asserts that a minority of causes, inputs or effort usually lead to a majority of the results outputs or rewards. For example, 80 percent of what you achieve in your job comes from 20 percent of the time spent. For all practical purposes then, four-fifths of the effort- a dominant part of it—is largely irrelevant. This is contrary to what people normally expect.

The 80/20 Principle states that there is an inbuilt imbalance between causes and results, inputs and outputs and effort and reward. A good benchmark for this imbalance is provided by the 80/20 relationship: a typical pattern will show that 80 percent of outputs result from 20 percent of inputs; that 80 percent of results come from 20 percent of effort.

In business, many examples of the 80/20 Principle have been validated. Twenty percent of products usually account for about 80 percent of an organization's profits. In society, 20 percent of criminals account for 80 percent of the value of all crime. Twenty percent of motorists cause 80 percent of accidents, and so on.

The pattern underlying the 80/20 principle was discovered in 1897 by Italian economist Vilfredo Pareto. He discovered the principle by looking at patterns of wealth and income in nineteenth-century England. He found that most income and wealth went to a minority of the people in his samples.

He also discovered two other facts that he thought were highly significant. One was that there was a consistent mathematical relationship between the proportion of people and the amount of income or wealth that this group enjoyed. To simplify, if 20 percent of the population enjoyed 80 percent of the wealth, then you could reliably predict that 10 percent would have say, 65 percent of the wealth, and 5 percent would have 50 percent. The key point is not the percentages, but the fact that the distribution of wealth across the population was predictably unbalanced.

The other pattern Pareto found was that this pattern of imbalance was repeated consistently whenever he looked at data referring to different time periods or different countries. Whether he looked at England in earlier times, or Spain in current times, he found the same pattern repeating itself with mathematical precision.

IBM was one of the earliest and most successful corporations to spot and use the 80/20 Principle. In 1963, the company discovered that about 80 percent of a computer's time is spent executing about 20 percent of the operating code. The company immediately rewrote its operating software to make the most-used 20 percent very accessible and user friendly. The computers were therefore more efficient and faster than competitors' machines for the majority of applications.

Those who developed the personal computer and its software in the next generation, such as Apple, Lotus, and Microsoft applied the 80/20 Principle with even more gusto to make their machines cheaper and easier to use for a new generation of customers.

The reason the 80/20 Principle is so valuable is that it is counter-intuitive. We tend to expect that all causes will have roughly the same significance, all customers have equal value and all employees in a particular category will have the same performance levels.

However, once we know the true relationship, we are likely to be surprised at how unbalanced it is. Whether you realize it or not, the principle applies to your life, to your social world and to the place where you work. Understanding the 80/20 gives you great insight into what is really happening in the world around you.