

Understanding the Pareto Principle

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Let's talk about Emma.

Emma is a dedicated project manager at a bustling marketing firm in London. A few months ago, Emma was facing a challenging predicament. She had a competent team and multiple industry experts to consult; she was working almost every evening and weekend. Her projects were only inching forward, and her team seemed to be stuck in a cycle of unproductive busyness. She felt frustrated, sensing her hard work wasn't driving the results she was expecting.

One day at a professional development seminar, Emma was introduced to the Pareto Principle. The speaker explained how 80% of effects often come from 20% of causes.

They used examples like *80% of social media shares originate from 20% of posts, or 80% of a person's successes come from 20% of their ideas*. This really resonated with Emma, prompting her to sit back and reassess the approach she'd been taking to her work.

Back at the office, Emma meticulously analysed her projects. She identified that a small number of activities and strategies were contributing to most of her team's successes. At the same time, most of the roadblocks slowing the team down were caused by a few small product glitches.

Armed with this revelation, Emma sat down with her team and refocused everyone's efforts on the activities and strategies that were driving success, setting aside the product glitches that were slowing them down.

The impact was immediate and profound.

Her team's productivity soared, and their project began yielding better results, surpassing their targets. Eventually, as the rest of the project progressed, those few small glitches

that had become such a bottleneck to success naturally worked themselves out. This was thanks to the learning that took place through prioritising the other tasks.

Thanks to the Pareto Principle, Emma not only streamlined her team's workflow but also steered them towards more meaningful and impactful outcomes.

Welcome to our session on the Pareto Principle, a pivotal concept in business efficiency and personal productivity. It is also often referred to as the 80/20 rule or [the law of vital few](#).

This lesson will cover the essence of the principle, its practical applications, and a few examples of how this principle could be applied in the real world. We'll provide you with actionable insights to implement in your work.

Let's start with understanding The Pareto Principle.

The Pareto Principle was first introduced by Italian economist [Vilfredo Pareto](#) in 1896. Pareto first observed the principle in regard to wealth distribution, noticing that 80% of the land in Italy was owned by just 20% of the population. He [noticed that the ratio was similar in other countries](#), and he also witnessed the same concept in his garden - only 20% of his plants were bearing 80% of the fruit.

At its core, this is a simple yet profound observation: a small proportion of causes often lead to a large proportion of effects.

However, this principle has far-reaching implications across various spheres, especially in business. For instance, you might find that 80% of a company's profits come from 20% of its customers or that a small selection of products or services drive the majority of sales.

Grasping this concept is the first step towards leveraging it for strategic decision-making and enhanced productivity.

But now that we understand it, how do we apply The Pareto Principle in a professional environment?

In the business world, understanding and applying The Pareto Principle can make a big difference in the way a person approaches tasks and manages resources. One key area is customer relationship management. If you notice that 20% of your customers are bringing in 80% of your revenue, it would be logical and prudent to focus on these customers first and do whatever it takes to make sure they're happy with your products and services.

Now, this is not to say it's OK to ignore your other customers, because it certainly isn't... but by focusing on the small number of customers who bring in the most business, you have the opportunity to work more efficiently and allocate resources where they'll be most valuable. These are the customers to go to for feedback first, to understand the features and improvements that need to be made.

Similarly, in terms of productivity, the 80/20 rule encourages you to identify and prioritise tasks that will have the greatest impact on your goals. For example, let's say you're a marketer who aims to bring in 100 leads next quarter. You know, based on past experience, that Google Search Ads are just one of many lead-generation activities you use, but they bring in the vast majority of leads for your company. You usually spend just as much time on email marketing, social media, and content generation, but at the end of the day, your Google Ads are getting results.

You only have a few months to bring in these 100 leads, so based on The Pareto Principle, you'd be well served to focus your efforts on Google Ads, as you know they will bring in more leads than any of the other activities in your roster.

By concentrating on these key activities, you can achieve better outcomes with comparatively less effort.

But when has The Pareto Principle been applied in the real world?

In the early 2000s, the team at Microsoft recognised that [80% of the crashes and errors in Windows and Office were caused by only 20% of the bugs, and strikingly, 50% of the problems were due to just 1% of all bugs.](#)

In 2002, Microsoft adopted the Trustworthy Computing initiative to improve software reliability and security. This initiative aimed to reshape how Microsoft addressed software issues, focusing on the most impactful problems.

The Pareto Principle was the basic premise behind this new initiative, enabling the company to prioritise its efforts on the most critical bugs, streamlining its response and achieving more with less.

The practical application of this principle was evident in the development and release of subsequent service packs. This approach not only expedited the bug-fixing process but also enhanced the overall quality and reliability of Microsoft software products.

Note that the Pareto Principle doesn't have to be applied across a massive organisation like Microsoft in order to add value. It can be used by anyone in any role. In team management

it can involve recognising top-performing employees and understanding the behaviours or strategies that drive their success, thereby informing training and development programs for the entire team.

In summary, the Pareto Principle is a powerful tool for enhancing efficiency and strategic decision-making in the business world. It encourages us to focus on the most impactful elements of our work to achieve greater success with less effort.

To put this principle into practice, start by conducting an 80/20 analysis in a specific area of your work, such as customer relationships or task management. Identify those key contributors to your success and plan to focus your efforts more effectively on these areas. Observe what happens and make changes to your approach based on your findings.

And remember, there are only so many hours in the day, so spend them on activities that will drive results!