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# identifying priorities

Using the 80:20 rule to get fast results

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## In brief

Vilfredo Pareto was an Italian economist. At the beginning of the 19th century, he noted that the distribution of wealth, at least in 19th century Italy, was roughly in the proportion of 80:20. That is, about 80% of wealth, certainly in the form of land, was held by about 20% of the people. He went on to notice that this ratio seemed to apply to all sorts of situations and so the 80:20 rule was born. When we look around us, it is not hard to see the evidence of it.

In terms of your management strengths, it is often very much the case. The activities you undertake that really make a difference to the business are often confined to a limited amount of your time available. There are good reasons for this. People spend more time on things they are not good at because, obviously, they are not good at them.

The 80:20 rule can play a key part in business management. It has the inherent power to focus efforts on what is really making a difference.

Take customer relations. If you monitor the various causes of customer dissatisfaction, a pattern will often emerge. For example, far more people may be irked by waiting time in a coffee shop than they are by the price. Maybe the fewest complaints are about the quality of the coffee, or the tidiness of the premises or the friendliness of the staff.

A Pareto matrix is an easy thing to draw. Many issues are simply and creatively presented in this format, which brings clear perspective to decision making. Imagine applying Pareto's 80:20 rule to deciding which action or project will get the fastest result from the least effort. On the X axis is impact, on the Y axis is the effort to get the result.

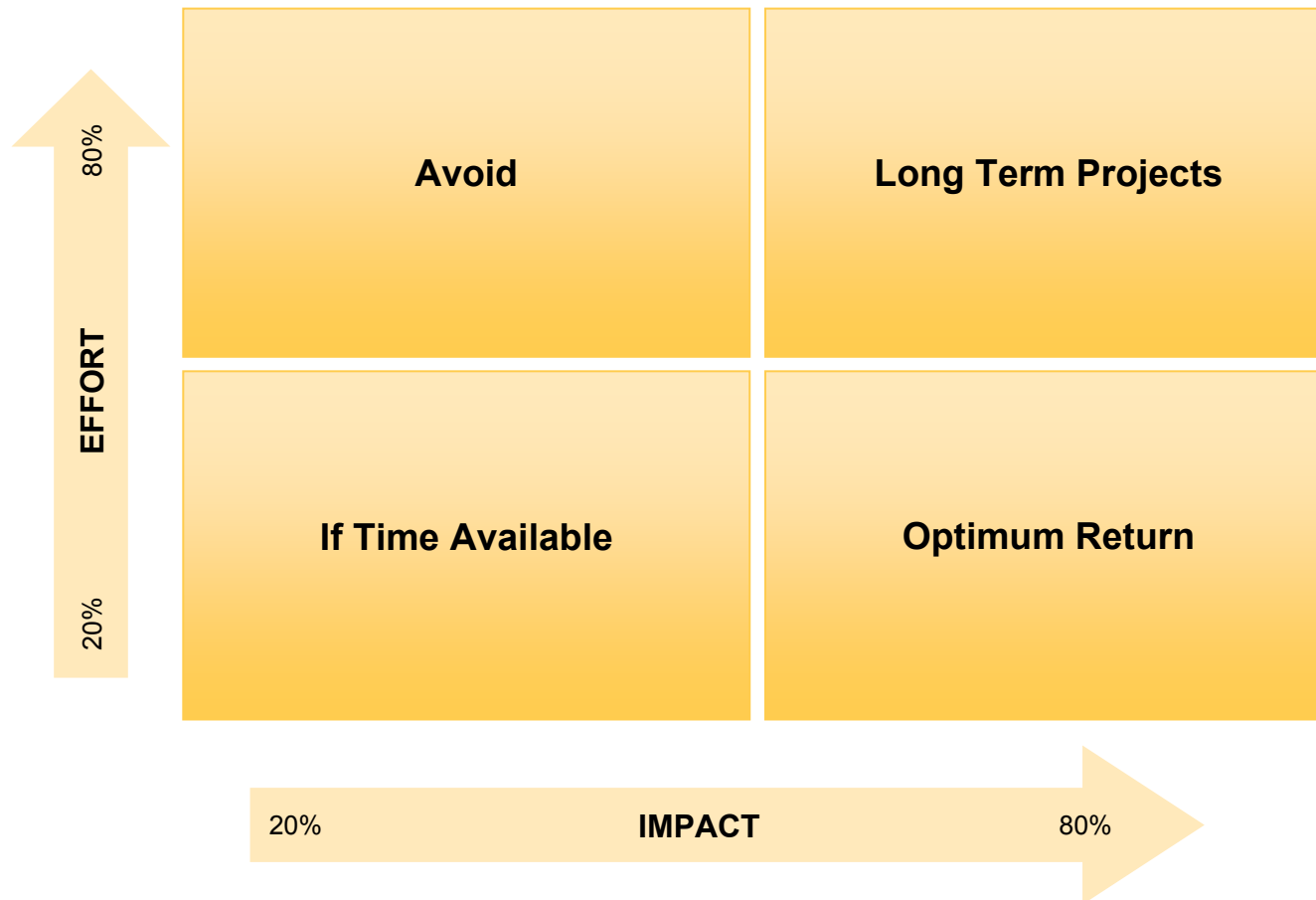
On the top left are actions that are probably not worth the effort. The optimum use of resources is in the lower right quadrant. Actions in other quadrants are not ruled out but will either require much greater planning, such as long term projects, or make sense only if time allows.

Draw up a list of issues or solutions that your business is facing and examine them from different perspectives using a matrix. Try the perspectives outlined in this chapter, or add your own or others, such as expense Vs revenue, time Vs return, competitive strength Vs market potential, or whatever is appropriate to the alternatives under consideration.



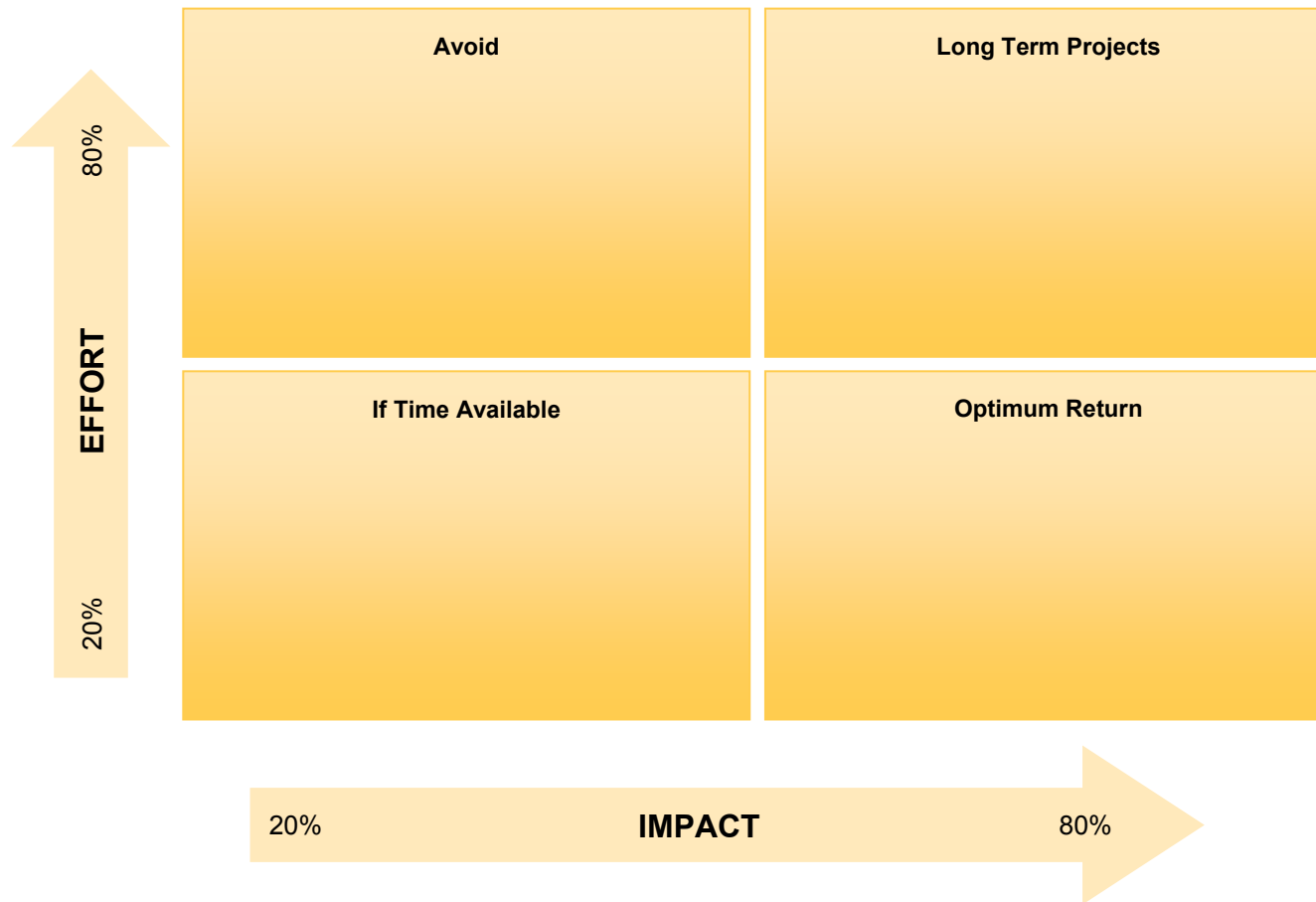
## Pareto Analysis

### The 80:20 Matrix



## Pareto Analysis

Use the template below to work out some priorities



**For more information, visit my website [www.alanhargreaves.com](http://www.alanhargreaves.com)**

Hi, I'm Alan Hargreaves. I specialise in simplifying complex business problems. In over 35 years as a business executive, I have never found an issue that cannot be addressed through identifying the essential but simple steps required to make any problem manageable. It might be your career, your firm, your team or your strategy. It doesn't matter. All hurdles can be lowered through dispassionate analysis, and all executives can embrace simple processes to take them forward. Using these techniques, I have helped hundreds of people through the various stages of their business or career development. It may be the challenge of taking on new responsibilities; it could be the task of managing a business you have created yourself; it may be handling a difficult team in the midst of major change. I use a straightforward combination of key principles to get results: collaboration, adaptation, simplification and action. You can contact me anytime at [alan@alanhargreaves.com](mailto:alan@alanhargreaves.com).



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