



# HOW WILL THE 80/20 RULE IMPROVE YOUR BUSINESS

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Way back in the late 1800's, Italian economist Vilfredo Pareto observed and documented that 80 percent of income in Italy was controlled by 20 percent of the population. Pareto later carried out various reviews and surveys on a number of other countries and localities. Much to his surprise, Pareto found that the same 80/20 rules applied in the various areas of business and finance he reviewed.



**L**ET'S move forward to 1941 when a prominent management authority Mr. Joseph M. Juran – while working in Japan re-establishing the infrastructure of manufacturing – came across Pareto's work. This led to him applying the fundamentals of the 80/20 rule to areas like Quality management where for example, 80 percent of a problem is caused by 20 percent of the causes.

It's said Juran preferred "the vital few and the trivial many," and that to place emphasis on the remaining 80 percent of the causes should not be completely ignored.

So, in today's world, how could a circa 1800's Italian gentleman's theory help your business?

Well, fact is his theory probably already has! The 80/20 rule is commonly used by business, financial institutions and many other businesses to review various situations against the numbers. More often than not, you will be surprised how often the 80/20 rule rings true.

The 80/20 rule or 'Pareto's Principle' can be used very effectively as a management tool to assist in various processes in your business, whereby based on certain available information you can confidently assume an outcome.

Yes I can hear you thinking as you read this article (ASSUME can make an "A## "out of "U" and "ME"), well it's really a matter of balancing

the known facts versus your knowledge, so let's put assume aside and work with 80/20 in your business.

How can the 80/20 principle work to improve processes in your business?

When making decisions, there are facts and information available on the web. You can feel comfortable the data you have can be leveraged against your required outcomes. Let's look at a simple case of marketing your business.

Let's take as an example, a marketing exercise to your customers? Commonly available data from sources like a peak body of direct marketing in