SITE SPECIFIC LEADERSHIP, INC.

Using the 80:20 Rule to Prioritize (Pareto Principle)

Imagine that you've just stepped into a new role as head of department. Unsurprisingly, you've inherited a whole host of problems that need your attention.

Ideally, you want to focus your attention on fixing the most important problems. But how do you decide which problems you need to deal with first? And are some problems caused by the same underlying issue?

Pareto Analysis uses the Pareto Principle – also known as the "80/20 Rule" – which is the idea that 20% of causes generate 80% of results. With this tool, we're trying to find the 20% of work that will generate 80% of the results that doing all of the work would deliver.

Note:
The figures 80 and 20 are illustrative – the Pareto Principle illustrates the lack of symmetry that often appears between work put in and results achieved. For example, 13% of work could generate 87% of returns. Or 70% of problems could be resolved by dealing with 30% of the causes.

How to Use the Tool

Step 1: Identify and List Problems
Step 2: Identify the Root Cause of Each Problem
Step 3: Score Problems
Step 4: Group Problems Together By Root Cause
Step 5: Add up the Scores for Each Group
Step 6: Take Action

Pareto Analysis Example
Jack has taken over a failing service center, with a host of problems that need resolving. His objective is to increase overall customer satisfaction. He decides to score each problem by the number of complaints. Using a table with four columns, and grouping each complaint, Jack scores by number of complaints:

1. **Lack of training** (items 5 and 6) – 51 complaints.
2. **Too few service center staff** (items 1 and 42) – 21 complaints.
3. **Poor organization and preparation** (items 3 and 4) – 6 complaints.

As you can see Jack will get the biggest benefits by providing staff with more training. Once this is done, it may be worth looking at increasing the number of staff in the call center. It's possible, however, that this won't be necessary: the number of complaints may decline, and training should help people to be more productive.

To see details on how to use Pareto Analysis click on The 80:20 Rule Article on MindTools.com