



# Are you wasting 80% of your working week making just 20% of your profits?

Almost every business owner we know despairs at the sheer number of demands on their time. They complain about time swiftly slipping through their fingers.

So why would any right-minded business owner waste 80% of their working week generating just 20% of their profits?

Look at it differently. Who'd choose to work 4 days a week to produce only 1 day's worth of results?

In 1897 an Italian economist suggested a now universally accepted outlook on life. An outlook that shapes all the results we all achieve.

Strangely, so few of us consciously, deliberately and persistently put this 100-year-old outlook to work for us.

### In a nutshell

The world is unbalanced.  
The work we do is also unbalanced.  
And because it's unbalanced, it pays to focus on the few things that really pay off for our business.

Wilfredo Pareto - the Italian economist -



proved in 1897 that 80% of the wealth in any country was enjoyed by just 20% of the population.

This 80/20 principle is just as relevant now and shows up in all aspects of business life. It's even more obvious in some sectors. For cinema films, music bands and authors the imbalance can be as much as 99/1.

### 80/20 unbalances you and your business too...

For example, when you start to look closely at your use of time, you'll almost certainly find an 80/20 imbalance.

Think of the opportunity you have if

anything like 4 days of your working week produces a miserly 1 day's worth of results.

Therefore it follows that there's massive value in understanding how 80/20 works for you and your business.

### Here's a proven solution for you...

Identify the 20% of your time, effort and resources responsible for 80% of your results.

Then work out how to do more of the 20% high-value work.



80/20 thinking turns office carpet industry on its head

## IBM use 80/20 to claim a competitive advantage...

In Richard Koch's book 'The 80/20 Principle – The Secret of Achieving More With Less' you'll discover how, in 1963, IBM achieved a competitive advantage by applying 80/20 thinking.

IBM realised that 80% of a computer's time is spent executing 20% of the operating code.

So IBM redesigned the operating software using this 80/20 insight and made their computers more efficient, faster and easier-to-use.

IBM leveraged this 80/20 principle to steal an early march on their competitors.

## So how do you apply the 80/20 rule for success...

Your time is precious. Very precious.

So, if 20% of your time produces 80% of your results, it suggests two actions:

1. Reduce the time you invest in low-value work (the 80% - 4 days)
2. Increase the time you invest in high-value work (the 20% - 1 day)

As Richard Koch suggests:

***"Progress means moving resources from low-value to high-value uses."***

You can delegate low-value work to someone else and do more high-value work instead. When you analyse your workload you may even find you're doing things that

simply don't need doing at all.

Analysing your use of time and changing what you do is a valuable source of 80/20 payoff for you and your business.

Here's another...

## Have an 80/20 look at your customer list...

Look closely at your customer list and, chances are, you'll discover 80% of your profits are generated by just 20% of your customers.

Okay, it might be 70/30. It might be 90/10, but the imbalance will be there.

Re-organising your resources, your people and your time to reflect this 80/20 imbalance can produce a surge in sales success.

Giving your best customers the best attention works. Richard Koch makes the point brilliantly:

***"Being customer-centred on all of your customers is pretty nigh impossible."***

***"But cherishing the core 20% is both feasible and highly rewarding."***

For example, it makes sense for a hotel to look after, more attentively, the long-term penthouse suite guest. The single room, one-night, one-off, business guest, must wait longer at check-in, have clean but older towels, get slower room service.

You too can seek out ways to put 80/20 to work on your customer list. You'll find more on this in the support tools

accompanying this Business Bitesize edition.

There are other ways 80/20 can pay off for your business...

## 80/20 brings industry-changing results...

Richard Koch again tells a great story about a modest company in Georgia USA called Interface Inc. They sold carpets and achieved modest results.

80/20 thinking changed all that.

Interface realised that 80% of the wear and tear occurs on only 20% of any carpet. So they altered their business model.

Interface Inc now leases carpet tiles and have grown revenues to £500m.

Interface's customers no longer need to replace a tired carpet when 80% of the carpet is still in perfect condition. Instead, with their carpet tile lease deal, Interface regularly inspects and replaces any worn carpet tiles.

This lowers costs for both Interface and their customers – all because Interface applied the 80/20 principle, tested their leasing idea and consequently grew a £500m business.

Are you ready to apply 80/20 thinking to your business, your use of time, your marketing, your customer list, your use of company resources or your industry?

## TIME TO DISAGREE:

**“An 80/20 view of our business is too simplistic. Some of the 80% needs to happen to ensure the 20% also happens.”**

Yes your business is unique. And yes 80/20 could be too simplistic a view.

And yet if you accept, apply and act on Richard Koch's idea that:

*“We give too many resources to low-margin activities and too few to high-margin activities.”*

...it's more than possible you'll find at least one way to improve the results of your business.

With such large potential gains, isn't it worth the effort and a little time to look for 80/20 insights and changes?

The first job is one of analysis (as numbers experts we'd be happy to help you identify your top 20% customers, most effective 20% marketing activities or identify your 20% high-value time).

Once you can see how the 80/20 rule applies to you and your business you can do something about it. Take action and you tap into the hidden profits in your business.

**“It's unprofessional to look after 20% of customers brilliantly and 80% poorly. This could jeopardise our reputation.”**

As accountants we are also very sensitive about this issue. Your reputation, like our reputation, is vitally important.

We can't afford to upset lower value customers. However it's still possible to apply 80/20 thinking if you are completely clear about your offer and services:

- Establish crystal clear expectations with each level of customer and you protect your reputation
- Provide each level of customer with a different (but expected) experience and your reputation is preserved
- Only surpass expectations with the 20% of highest value clients so they stay with you longer, recommend others to you and also buy more from you too

**“80/20 is too short-term a view – business changes so we must build flexibility into our business.”**

There is a balance to be struck.

Concentrating solely on '20% only' customers is hard to achieve.

However reducing the number of lowest value customers is easier to achieve.

When you start to look, these low-level customers often generate the most hassle and the worst word-of-mouth – it might improve your profitability if you worked with fewer of them.

Like Richard Koch suggests:

*“80% time drives out 20% time... 80% business relationships displace 20% ones... Mental energy expended on 80% activities takes away from 20% projects.”*

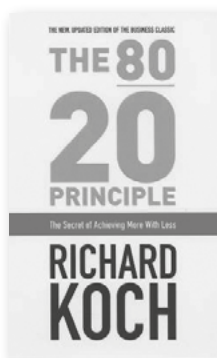
Look for '80/20 wins' in your business and you could see your profits soar.

## Tell me more...

Want to know more?

You'll find more great stories, more big insights and more powerful suggestions in Richard Koch's captivating book:

'The 80/20 Principle - The Secret of Achieving More With Less'



# 4 helping hands for you...

It's easy to dismiss the 80/20 principle as a simple fluke of analysis. It's easy to dismiss because it's so familiar too.

But dismiss 80/20 too lightly and you risk missing out. You risk missing out on a way to radically improve your business results.

Here are a few simple steps to get yourself a valuable result for your business:

1. **Decide to seek out 80/20 insights and 80/20 wins in your business**
2. **Identify the 20% of your weekly time when you produce 80% of your results**
3. **Test reducing the time and energy you invest in low-value 80% activities**
4. **Apply this 'saved' time and energy into high-value 20% activities to get big wins**

**ULTIMATE ARGUMENT:** “How do I know this will work for me and my business?”

Until you test it, and modify it to suit your business you won't know. What's clear is 80/20 is potentially too valuable to ignore. Why run the risk of missing out on greater profits?

**STOP:** spending precious time on low-level tasks, admin, customers and marketing activities.

**START:** looking for '80/20 wins' so you can unlock greater results in your business.

## Use the Business Bitesize Support Tools And Resources

to help you make the most of this edition of Business Bitesize – go here: [www.businessbitesize.com/sherwoods](http://www.businessbitesize.com/sherwoods) to download these

## Your feedback is important to us.

We'd love to know what you think of this edition of Business Bitesize and how you use it or plan to use it. Also we'd welcome your suggestions for future editions of Business Bitesize. To give us your thoughts please use the simple feedback form here: [www.businessbitesize.com/sherwoods](http://www.businessbitesize.com/sherwoods)



## Your next steps:

Here are your bite-sized next steps to achieving the '80/20 wins' in your business.

This checklist, and the support tools, will help you avoid missing out on the success and profit from 80/20 business wins.

## Start by using 80/20 on your use of time:

Take a long hard look at your use of time. Use the checklist opposite to help you see a simple and relatively easy way to achieve greater profitability with '80/20 wins'.

It might be you aren't yet capturing what you do in a diary or in Outlook. If so check out the support tools for a simple but powerful exercise to help you and your colleagues.

## More tools and information for you:

As well as the checklist here, you can use the forms and checklists in the online supporting tools. Together they'll help you make more of this bitesize business breakthrough.

# Here's how you achieve '80/20 wins' from your use of time...

## 1. Colour-code each activity in your diary or Outlook calendar for 80/20

Look at last week's diary or last month's diary and mark each activity red or green.

Red for low-value 80% time – time with lower level customers, time with insignificant suppliers, time on low-level admin, or similar.

Green for high-value 20% time – time with high-level customers, time with influential contacts, time training your best people.

## 2 Decide which low-value 'red-time' activity is easy to stop and which is harder to stop

Work out which 'red-time' jobs can be delegated quickly and easily to others or simply not done at all.

Use the additional support tools to help you rank your 'red-time' jobs. You'll also see which types of low-value jobs are best to stop.

## 3. Work out how to stop doing this 'easy-to-stop' 'red-time' activity yourself

You have a number of options:

- just don't do it, ever
- delegate internally
- leave it till later
- delegate externally

Sometimes low-value 'red-time' jobs just have to be done – just not by you.

For a delegation process to help you do this successfully check out the support tools with this edition of Business Bitesize.

## 4. Decide which high-value 'green-time' activity you should do more of

Work out which of your high-value 'green-time' activities deliver the biggest results for you and your business.

Use the additional support tools to help you rank your 'green-time' jobs and decide what you must do more of.

## 5. Build your new high-value 'green-time' into your diary and make it happen, regularly

So much of our diary time happens by accident rather than being deliberately planned. By looking for '80/20 wins' you bring greater planning to your most precious resource, your time. Make better use of your diary time a habit and you'll hard-wire greater success into your business.

**YOUR SUPPORT TOOLS ARE HERE: Go to the link below and you'll find a suite of supporting tools giving you further insights and resources to help you achieve greater profitability with 80/20 wins.**

**Find the support tools to help you here - [www.businessbitesize.com/sherwoods](http://www.businessbitesize.com/sherwoods)**



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