

NOTES FROM: *The 80/20 Principle*, by Richard Koch

SUMMARY: The “Pareto Principle,” otherwise known as the 80/20 Rule is widely recognized today, but there are few better introductions to this extremely – and I mean *extremely* – powerful idea than Koch’s book. It’s more business-oriented, but there are applications of the principle available in literally every facet of our lives, which is something that’s rare in itself, for one principle to be so impactful.

Briefly stated, the Pareto Principle is the observation that 80 percent of your results will come from just 20 percent of your actions, which of course means that if you want to maximize your effectiveness and utility, you should focus as much as you can on the 20 percent that is going to drive most of your results and ignore or delegate the rest.

In business, this means that 20 percent of your customers are bringing in 80 of your total revenue. In your relationships, it means that 20 percent of the people you associate with are bringing you 80 of the fulfillment you experience. Originally, it was an Italian economist, Vilfredo Pareto who noticed that 80 percent of the land in Italy was owned by 20 percent of the landowners.

However, you can take this idea even further, and keep applying the Pareto Principle to the principle itself! You’ll notice as well that 20 percent of the 20 percent is giving you most of the results as well. These numbers aren’t absolute or anything – there are 99/1 relationships, 85/15 relationships, etc. – but the principle stands up remarkably well.

Whenever you find a principle this powerful and this robust, you’re doing yourself a disservice if you don’t capture as much of the potential value on offer as you can. Apply it to your business, your investments, your time, your friends, your life. It will change everything for you.

Koch book is definitely one of the 20 percent of books that will give you 80 percent of results in life, although I’ve heard some people say that you can apply the principle to his book too! Meaning that 20 percent of the book will give you 80 percent of its total value.

“Those who seize the day become seriously rich.”

“Things that matter most must never be at the mercy of things that matter least.”

“It is not shortage of time that should worry us, but the tendency for the majority of time to be spent in low-quality ways.”

“Choose a basket carefully, load all your eggs into it, and then watch it like a hawk.”

Golden Rules for Career Success:

- 1: Specialize in a very small niche; develop a core skill.
- 2: Choose a niche that you enjoy, where you can excel and stand a chance of becoming an acknowledged leader.
- 3: Realize that knowledge is power.
- 4: Identify your market and your core customers and serve them best.
- 5: Identify where 20 percent of effort gives 80 percent of returns.
- 6: Learn from the best.
- 7: Become self-employed early in your career.
- 8: Employ as many net value-creators as possible.
- 9: Use outside contractors for everything but your core skill.
- 10: Exploit capital leverage.

“Make yourself money instead of working to make someone else money. If you have a regular job, then odds are that you’re slaving away to make someone else rich.”

“The way to create something great is to create something simple.”

“Examine nonlinear relationships that others are ignoring. Output doesn’t always reflect input, and you can achieve asymmetric returns while others are slaving away to maybe make linear ones.”

“Pursue those few things where you are amazingly better than others and that you enjoy most.”

“The 80/20 results of any analysis only represent that particular moment in time and space, so be aware of changes. Be ready to re-evaluate your earlier assessment and shift your idea of what constitutes the 80 percent and what the 20 percent.”

“Relentlessly apply the principle to every important sphere of your life. Most of the friends you have aren’t the best friends for you; most of the exercises you’re doing in the gym aren’t gaining you muscle; most of the tasks you complete at work aren’t leading you to the achievement of your biggest goals.”

“The best way to start making money is to stop losing money.”

“Simple is beautiful.”

“Waste thrives on complexity.”

“Effectiveness requires simplicity.”

“If the core customers are happy, then the successful growth of the business is assured.”

“Something important is always happening underneath the surface.”

“Double down on what’s working and keep reinvesting in the areas where you’re achieving outsized results. Follow up on your successes in order to drive more success.”

“All the time spent on 80 percent activities detracts from the time that could be spent on 20 percent activities.”

“Achievement is driven by insight and selective action.”

“We have more than enough time when we focus on what really matters.”

“You are more likely to win where you have won before.”

“Time is our friend, and we should calmly collaborate with it instead of fighting it. Fighting against time does nothing but stress us out. It’s there to help us, so long as we approach it in the right spirit and don’t get too caught up in it.”

“It is because we have so much time that we squander it.”

“By fixing what we focus on, we enter another 80/20 relationship, but on a higher level.”

“There is no limit to the amount of effort or time that is appropriate for what enhances or defines our lives.”

“If we did realize the difference between the vital few and the trivial many in all aspects of our lives and if we did something about it, we could multiply anything that we valued.”