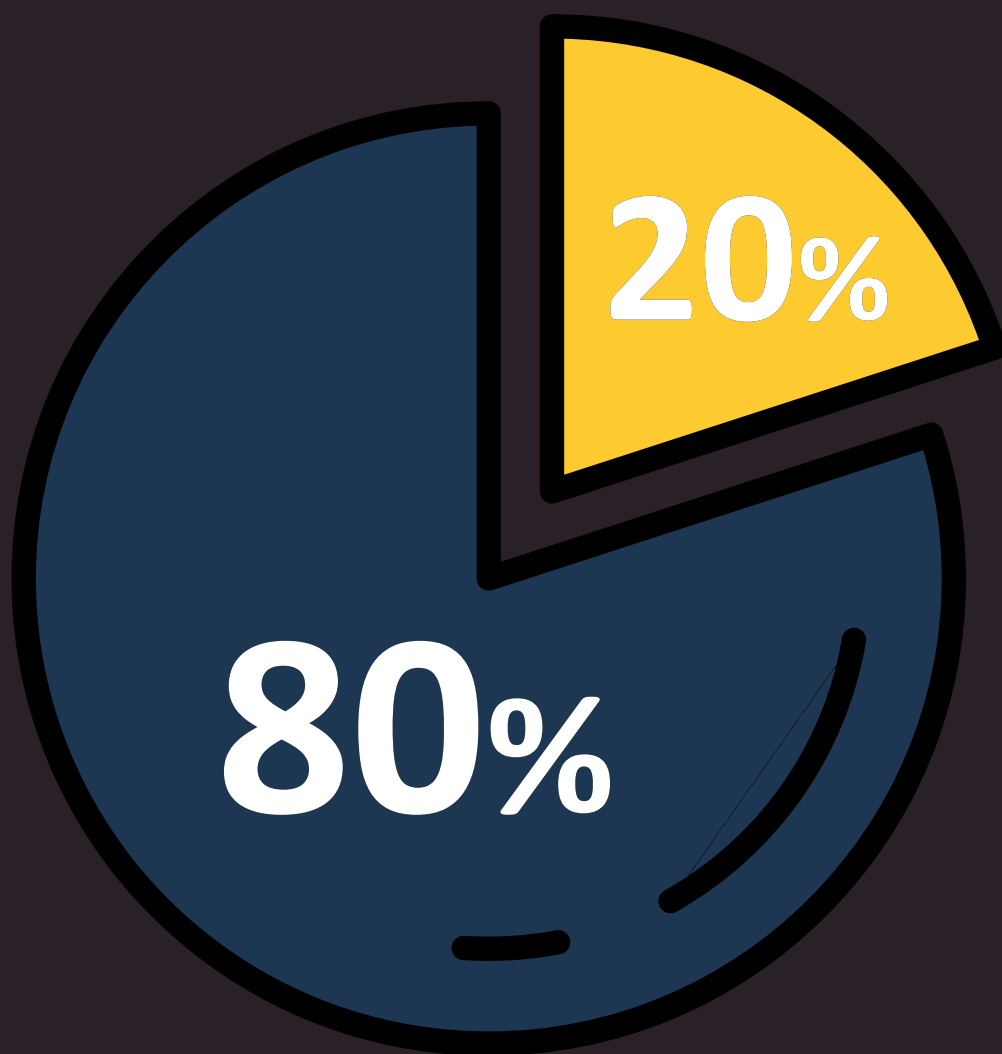# The 80/20 Rule
The Guarenteed Results Framework

History of 80/20 Rule

The Pareto principle of 80/20 arose from observations Vilfredo Pareto in the 1800s. He observed that 80% of the land in Italy was owned by 20% of the people. The concept can be applied in business and in you personal life. 80% of your outputs come from 20% of your inputs. Use this insight to double down on your most productive activities.

20%

80%

The 80/20 Rule At Work

You can apply this principle in different areas of your work, such as setting goals, managing people, or managing your tasks.

80/20 in Task Management
Identify 20% of the tasks that create income or provide the highest payoff. Do those first.

80/20 in Business Operations
Find 20% of your most productive workers, and give them the most important work. Give them leadership positions.

80/20 in Goal Setting
If you could accomplish one goal on your list, which one would have the most impact? Focus on goals with highest return.

Pareto Priority Index (PPI)

A Pareto Priority Index is a simple formula used to prioritize tasks or projects.

$$PPI = \frac{\text{Savings} * \text{Probability of Success}}{\text{Costs} * \text{Time To Completion}}$$

Savings
The amount of savings that will result from implementing a project.

Costs
The dollar amount of the total cost of the project.
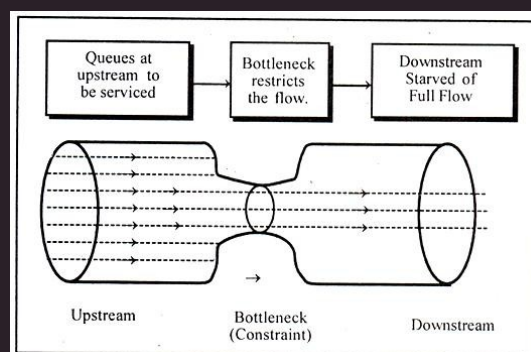
Probability of Success
The likelihood of project success, based on previous completed projects.

Completion Time
The time required for the project to be completed, based on its goals.

Elihu Goldratt's Theory

The Theory of Constraints is a method to identify bottlenecks and other constraints and exploit them whenever possible.

Queues at upstream to be serviced	Bottleneck restricts the flow.	Downstream Starved of Full Flow

Upstream — Bottleneck (Constraint) — Downstream

Objective
Increase Throughput

Result
Increased capacity

Focus
Single constraint until it is no longer a constraint

How To Exploit Constraints

1 Identify the current constraint (the single part of the process that limits the rate at which the goal is achieved).

2 Make quick improvements to the throughput of the constraint using existing resources.

3 Review all other activities in the process to ensure that they are aligned with and truly support the needs of the constraint.

4 If the constraint still exists, consider what further actions can be taken to eliminate it from being the constraint.

5 Once a constraint is resolved the next constraint should immediately be addressed. Never become complacent.