

## The 80/20 Principle

### Written by Richard Koch

*By: Adrian Isaacs, CPA, CA, Founder & Managing Director at Isaacs Advisory*

This is my 3rd review in my recommended reading series, where I share books that I have gotten a lot of value from for both my business and personal development.

The book I am sharing today is by Richard Koch and is called: **The 80/20 Principle**. Richard has authored or co-authored around 25 books dealing with business, ideas and personal success. This book has sold over one million copies and has been translated into more than 40 languages.

Per his website: *"In 1997, [The 80/20 Principle](#) pioneered a reinterpretation of the so-called 'Pareto Rule' – extending the idea that most worthwhile results come from a small minority of effort from business, where it was well known, to include personal life and careers. The book, substantially updated in 2007, has become a business classic, being named by GQ as one of the top 25 business books of all time. The Weston Review said, "We give this Dali-esque masterwork 5 stars... a beautiful collage of well written prose... the book is worth many times its price."*

This concept was discovered by the Italian Wilfried Pareto (1848-1923). It was built on his study and observations of income distribution that at the time 80% of the wealth in Italy belonged to about 20% of the population.

In summary, the central premise of the book is that in most situations, there is an **indirect** relationship between "input/effort" vs. "output/results". Said another way, not every input generates the same level of output ie: its non-linear.

The principle in summary says typically 20% of one's efforts result in 80% of an outcome. As Koch notes, the object here is not to focus on the exact math of "80/20," as depending on the facts, the distribution could be "90/10," "75/25" or "60/40". One's focus should be on the concept that inputs don't typically equal outputs.

This book also ties in nicely with a previous book I featured (15 Secrets Successful People Know About Time Management by NY Times bestselling author, Kevin Kruse) as one of his 15 time management tips covers the Pareto Principle.

#### **Why I liked this book:**

Koch has divided the book up nicely between business applications and how to incorporate this into one's personal life. It shows practical ways to generate real-time savings and therefore cost savings in all facets of one's life.

It really made me reflect on my business and life and below are some practical insights I adopted.

### My Key Business Takeaways:

When I applied this principle to my business, I noticed that **on average**:

- 20% of the lenders I was dealing with were doing 80% of the loans I was sourcing.
- 20% of the financing solutions I was sourcing for clients were used by 80% of my clients.
- And in building financial projections, given they are inherently variable, I started focusing on just the 20% of material variables which would generate 80% of the model which given their variable nature was sufficient.

Also in my personal life, it got me thinking about things like:

- Would only doing 20% of all available exercises in the gym give me 80% of the workout benefit?
- Were 20% of the foods I was eating generating 80% of my weight gain?
- Did I wear 20% of my clothes, 80% of the time?

In conclusion, this book provided me with a catalyst to step back and re-examine various facets of both my business and personal life and has really helped me see that “Less is More!”. It has shifted my focus and freed up time which is ultimately our most precious commodity!

I hope you enjoy this book as much as I did, and I look forward to your thoughts on it.

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At Isaacs Advisory, we have extensive experience in advising on, structuring, and sourcing a wide range of traditional and non-traditional financing solutions from start-up, early stage and growth businesses.

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