

Living the 80/20 Way

Richard Koch © 2004

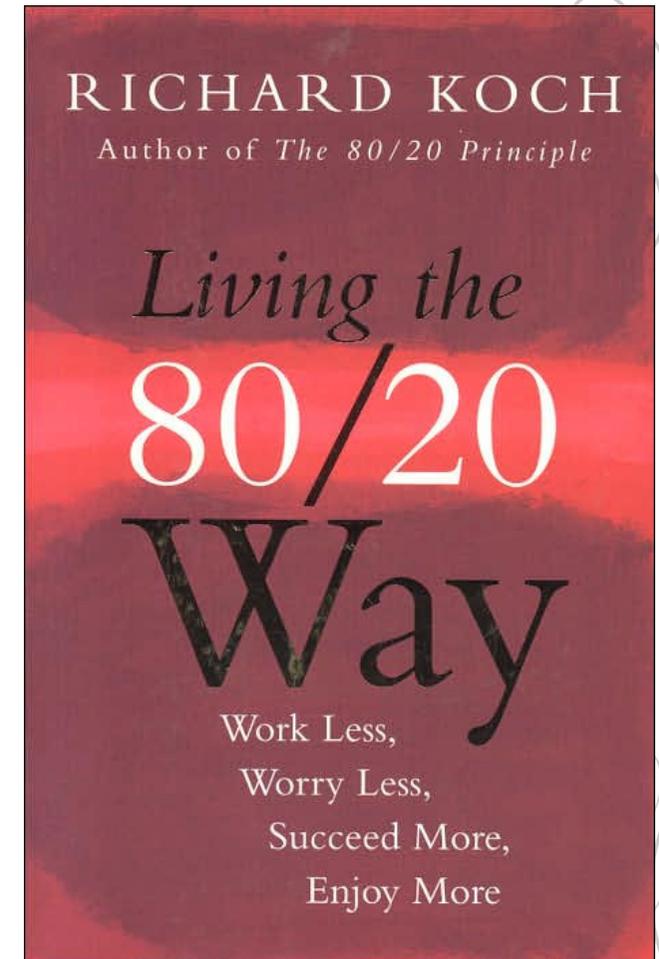
Richard Koch wants you to have more by doing less. Koch, a former BCG and Bain consultant, believes the “80/20 rule” observed in the corporate world can be applied for personal benefit. He believes that a small minority of causes leads to a large majority of results and argues “that we only live fully by subtraction and make progress by stripping our activities back to a small authentic core”.

“The modern principal for individuals is more with more. To get more money, status, an interesting job, an exciting life, it seems necessary to give more and more to one’s profession, job, company or customers, sometimes to the point where there’s no time or energy left for oneself, one’s family, or one’s friends, let alone for healthy relaxation or to recharge. If more-with-less works for companies and economies, it should work for individuals as well. In fact I know it does.”

Professional Wealth

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Executive Summaries



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80/20 examples

Commerce

**20% of customers generate 80% of profits
(Royal Bank of Canada: 17% deliver 93%)**

20% of staff generate 80% of sales

**Less than 20% of entrepreneurs capture 80%
of new business wealth created**

**20% of countries consume 70% of energy, 75%
metals and 85% of timber**

**15% of private equity investments provide 82%
of profits**

20% of authors sell 80% of books sold

20% of thieves collect 80% of loot (crime stats)

10% of punters place 90% of \$ bets (Betfair)

Society

20% of media stars hog 80% of the limelight

20.2% of UK cities house 79.8% of population

20% of scientists create 80% of discoveries

**25% people enjoy 75% of interest in speed
dating**

20% of wars caused 80% of casualties

**20% of treasures in a museum are displayed
more than 80% of the time**

**“My address book lists 207 friends, but only 18
are truly significant to me. These friends are
less than 9% of the total and give me 90% of
‘friendship’ pleasure”**

**Vilfredo Pareto (Pareto principal) is credited with the discovery of this effect 100 years ago
when he studied the distribution of wealth and found 20% of people owned 80% of the wealth**

Some 80/20 motivations

If 20% of your effort drives 80% of your value, then if you spend two days a week on your most valuable activities, you can deliver 160% of the value you deliver in a 5 day week, and have three days left over to do whatever you want

“A hard working person is often too busy to spot what’s really significant. A lazy person wants to do as little as possible and so concentrates only on the essentials. What’s really productive is a lazy person who thinks new thoughts and is focused on making them happen. Thinking is often disturbing, burying ourselves in trivia is less threatening. For most of us, the only way to create something new and valuable is to slow down, do fewer things and chill out Being lazy may be a precondition for achieving a great deal”

- **Warren Buffet admits to a style that “borders on lethargy” – he makes few but extremely important decisions**

“Make a great mental leap: dissociate effort from reward. Focus on the outcomes that you want and find the easiest way to them with the least effort, least sacrifice and most pleasure”

“Time doesn’t run at a constant rate. There are long periods when nothing happens and short bursts when a tidal wave transforms our world [‘in the zone’]. The art of time surfing is to track down the waves and ride them to happiness and success” “Small fragments of time [breakthrough idea or insight, decisions that changes lives] are worth many days, weeks, months or years of normal time.”

“You don’t need 20/20 vision – you need 80/20 vision”

Three step process for “living the 80/20 way”

Focus on your 80/20 destination

Identify your goals, outcomes, places you want to be, people you want to be with, the experiences you want to have

- Know what you don't want to achieve and can give up

Strip away all the acting and role-related trappings and decide what is the authentic you

Your “20% spikes” –unique skills and interests - may help you identify your destination

Find the 80/20 route to your destination

Find the one elegant route that gets you more of what you want with less time, energy, money and bother - and more fun

Study routes others have taken – maybe someone else has discovered a route for you

Think “hitchhiking” – maybe someone can give you a lift?

Hone your “super strengths” (20% spikes) – “correcting weaknesses will only make us mediocre”

“Know 99% about 1% [don't focus on broad experience]

Learn to sell yourself

Act less – think more

Take the first steps

Your route identifies the few steps to take and the many you don't (“trivia”) – make a “not to do” list

Action doesn't have to be planned (desire does)– be open to chance events

Think three steps ahead only

Make headway but don't set deadlines

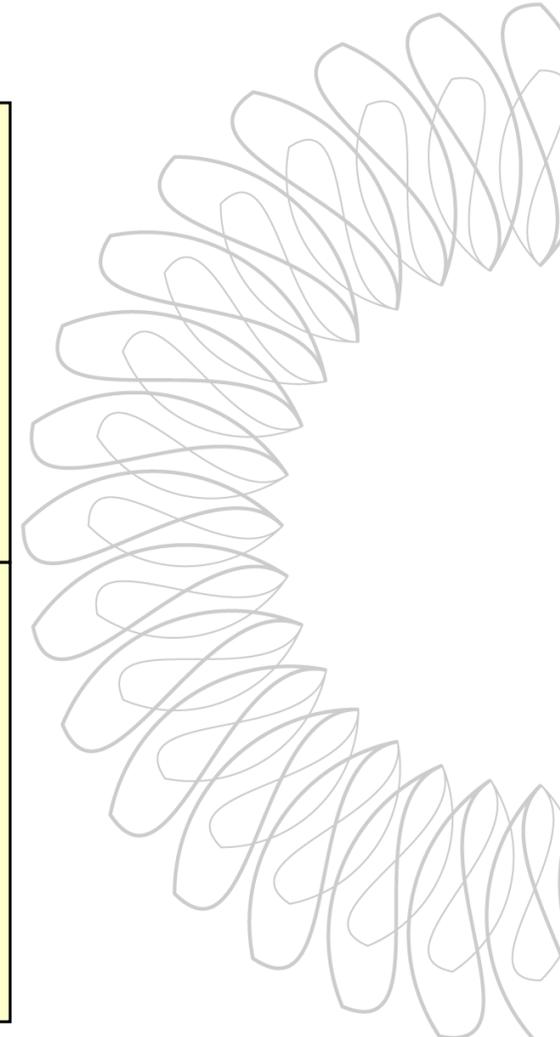
Subconscious will work for you once it knows what you care about – it can't process weak or mixed messages

Change the way you do your job – you don't just have to change your job

Experiment – see what delivers more with less

“There are four types of officers” - German military chief General von Manstein

“Hard working”	“these people are a menace, and must be fired at once. They create irrelevant work for everyone”	“they make excellent staff officers, ensuring that every detail is properly considered”
“Lazy”	“Leave them alone, they do no harm”	<i>“they are suited for the highest office”</i>
	“Stupid”	“Intelligent”



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About Professional Wealth

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We strive to set a new level of professionalism, by

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- being free to recommend a broad range of investment and insurance solutions
- being remunerated only by our clients, refusing all commissions and rebates
- making education an important part of our offer

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