



HOW "THE 80/20 RULE" CAN AFFECT COMPANIES IN UNSEEN WAYS

The 80/20 Rule (aka The Pareto Principle) affects everyone, whether it is at home or at work the same premise holds, we spend 80% of our time and resources on something that only holds 20% of the total value.

In business, the 80/20 Rule means that in any set of things (workers, customers, etc.) a few (20 percent) are vital and many (80 percent) are considered less than vital. It's well known by Project Managers that 20 percent of work (usually the first 10 percent and the last 10 percent) consume 80 percent of the time and resources. You can apply the 80/20 Rule to almost anything, from the science of management to the sciences of the physical world around us.

Some companies spend 80% of their management resources on 20% of the total company revenue and/or 80% of sales and customer service resources are consumed by 20% of current customers and not in creating new business. Allowing ourselves (and our businesses) to fall into the rut of the 80/20 rule can have a far reaching detrimental effect.

An area that is commonly overlooked concerning this rule is a company's back office (auxiliary services) operations (i.e. mail, printing, scanning, filing services, shipping and receiving, etc.). An organization's Human Resources department can be consumed with spending 80% of their time on staffing, recruiting, and training for what are normally identified as "non-revenue" generating service areas. Because these areas are often staffed with entry-level employees, turnover is high, which displaces HR resources and can drain money from a company without being noticed.

These same non-revenue generating services are often plagued with the 80/20 rule in expenses associated with mail, printing, and shipping. A significant part of your department budget is dedicated to postage (20% of what is mailed or shipped typically consumes 80% of the total postage budget), supplies, and fuel; yet, it is rarely scrutinized to determine if the company is getting the best value for their investment. It is simply written off as a necessary expense.

The best way to combat the 80/20 rule is to have trained staff members for each of the above mentioned services areas. How many companies invest in industry training and certifications for their entry-level employees? The answer, is, not a large percentage. That is why it is important to look at a professional management company who has this expertise and an established methodology to train team members, so they in turn, have the knowledge to look for cost savings, efficiencies, provide detailed reporting and most important, won't take up 80% of your resources.

When the fire drills surrounding the "crisis of the day" begin to eat up precious time, remind yourself of the critical 20 percent you need to focus on. Call us today for a review analysis of your auxiliary service areas. Let go of the 80 percent and we will deliver the expertise and results you need. Call 800.207.4807 or e-mail info@omgservices.com.