

## Appendix 3

### 60-SECOND SEMINARS

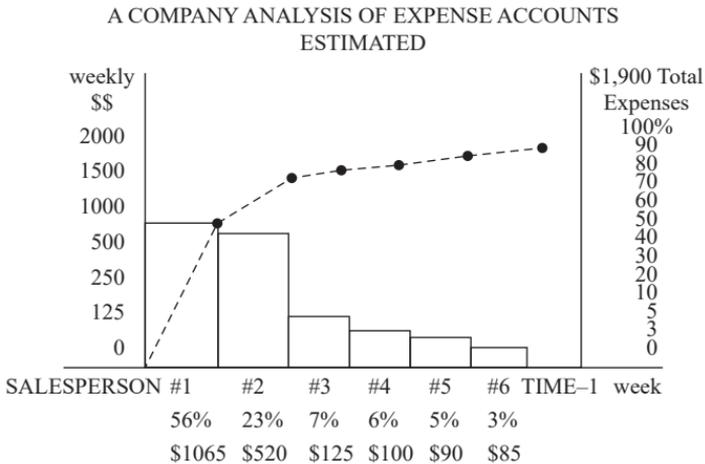
“Pareto Analysis” – A 60-Second Seminar

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(Note: This “60-Second Seminar” is designed for use with frontline supervisors, and other managers without a strong business academic background, as part of a development program to enhance skills and retain talent. It is also a proven method of introducing managers who are already aware of the “80/20 Rule”, to the role of mentor and teacher. It makes an excellent intangible reward with a good chance of continuing to motivate them as they develop as well.)

Open your wallet and take out your paper money. If you are typical of most people, a few bills will account for most of the total amount of money in your wallet. In fact, 20% of the bills will probably account for 80% of the total. Now think of the people who work with and for you. Is it fair to say that 80% of the problems are caused by 20% of those people? Pareto Analysis is also known as the “80–20 Rule”, as illustrated above? Vilfredo Pareto first voiced this concept over 70 years ago. He was a social economist who examined the principle of the “vital few and trivial many.” The “80–20 Rule” is most valuable when managers try to identify a problem or decide upon which problem to attack first. The point is to identify where 80% of the problem lies and then

devote time to the correction of the problem. In other words, hunt the elephants and not the fleas. The concept is illustrated by the following Pareto Diagram:



The Pareto Diagram shows that sales employees #1 and #2 account for about 80% of the total weekly expenses. The next step is to compare expenses with sales. If 80% of the sales consistently come from other people, then the manager has hard data for performance appraisal. Now ask the participants to brainstorm a list of situations where this method can be used to make changes where needed in the organization.

For example, in the hospitality industry, 80% of people making room reservations ask if there is a pool, but only 20% ever use it. Bringing this to the attention of property managers will help them in budgeting resources to ensure that the pool satisfies the needs of 20% of the guests without using unnecessary resources to do that (i.e., how many new tables/umbrellas will be needed each season?).

For more information see: *Q.C. Circles: Applications, Theory, and Tools* Pub. by: American Society for Quality Control.