THE LOST OPPORTUNITY FILTER

A Brief History On The 80/20 Rule

In 1941, Joseph M. Juran came across the work of Italian polymath Vilfredo Pareto. Pareto noted that approximately 80% of Italy's land was owned by 20% of the population.

Juran, who was working on quality issues across engineering teams, applied the approximation that 80% of problems stem from 20% of the causes to the field of quality management.

Later during his career, Juran preferred to describe this as "the vital few and the useful many", to dissuade from an interpretation of the principle as the contribution of the 80% being without value.

Applying The 80/20 Rule To Yourself

Fully 80 percent of all constraints that are holding you back from achieving your most desired goals are inside yourself.

Only 20 percent are on the outside. Fully 80 percent of the reasons that your business is not achieving its goals are inside the company, in some way.

Your major constraints lie within your own habits, beliefs, attitudes and opinions as well as your own skills and abilities, or lack thereof.

When you want to accomplish great things, always start with yourself and work out from there. You are in control of yourself. You can have an enormous effect on what you do personally, or fail to do. But you have only a minor influence on external factors and other people.

The 80/20 Filter

Your hourly rate from Session 2: $_____

For each item you checked in that assignment ask, would I pay someone my hourly rate to do this?

If yes, it belongs on your plate. Leave it.

If no, circle it. Those circled items are your constraint list.

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Theory Of Comparative Advantage

In the 1800s David Ricardo, Britain's preeminent economist, created the Theory of Comparative Advantage of Nations, which postulated that:

“specialization leads to wealth and self-sufficiency leads to poverty.”

Through his research, Ricardo demonstrated that trade between two countries can be mutually profitable even when one country is more productive than the other in every commodity that is being exchanged.

One example was that Portugal could produce both wheat and wine more cheaply than England, giving Portugal an absolute advantage in both commodities.

The Lost Opportunity Cost

Ricardo looked deeper into the economics and found out:

Production Costs In England

1 Unit Of Wine = 2 Units Of Wheat

Production Costs In Portugal

1 Unit of Wine = 1.5 Units Of Wheat

Giving Portugal a comparative advantage in the production of wine and England an advantage in that of wheat.

Both countries could benefit by focusing on the production of the products they had the comparative advantage over and trading it with one another.

Even though Portugal could produce wheat more cheaply than England, every unit of wheat produced cost the country the opportunity to make a higher profit by creating a unit of wine. This concept is known as lost opportunity cost.

Nobody Else Can Do This As Well As I Can

Portugal could produce wheat more cheaply than England. It did not matter. England had a comparative advantage in wheat and Portugal had one in wine. Both countries made more by focusing on what they were comparatively better at and trading for the rest.

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You do not need someone who can do it as well as you. You need someone who can do it at 75% of your quality at a lower rate than you earn. That is not settling. That is the correct business decision. Every hour you spend doing work someone else could do at 75% of your standard is an hour you are not spending in the role you committed to lead from.

That is not a time management problem. That is lost opportunity cost.

The Lost Opportunity Filter

You just assigned a process or person to everything that does not belong on your plate at your rate. Now pick three you are moving forward this week. Not the easiest three. The three that free up the most time in the role you committed to lead from and you can start working on this week.

For each item you circled, ask one question. Could someone do this at 75% of my standard at a lower rate than I earn? If yes, write a process name or a person name next to it. If no, it stays on your plate."

The three I am committing to move this week:

1. Process or person: _____
2. Process or person: _____
3. Process or person: _____