Business, Leadership & Life

Shortcuts

THE ONE PERCENT RULE

Why a few people get most of the Rewards

TREVOR MARCHANT & EVE DALLAS

Business & Performance Coaching

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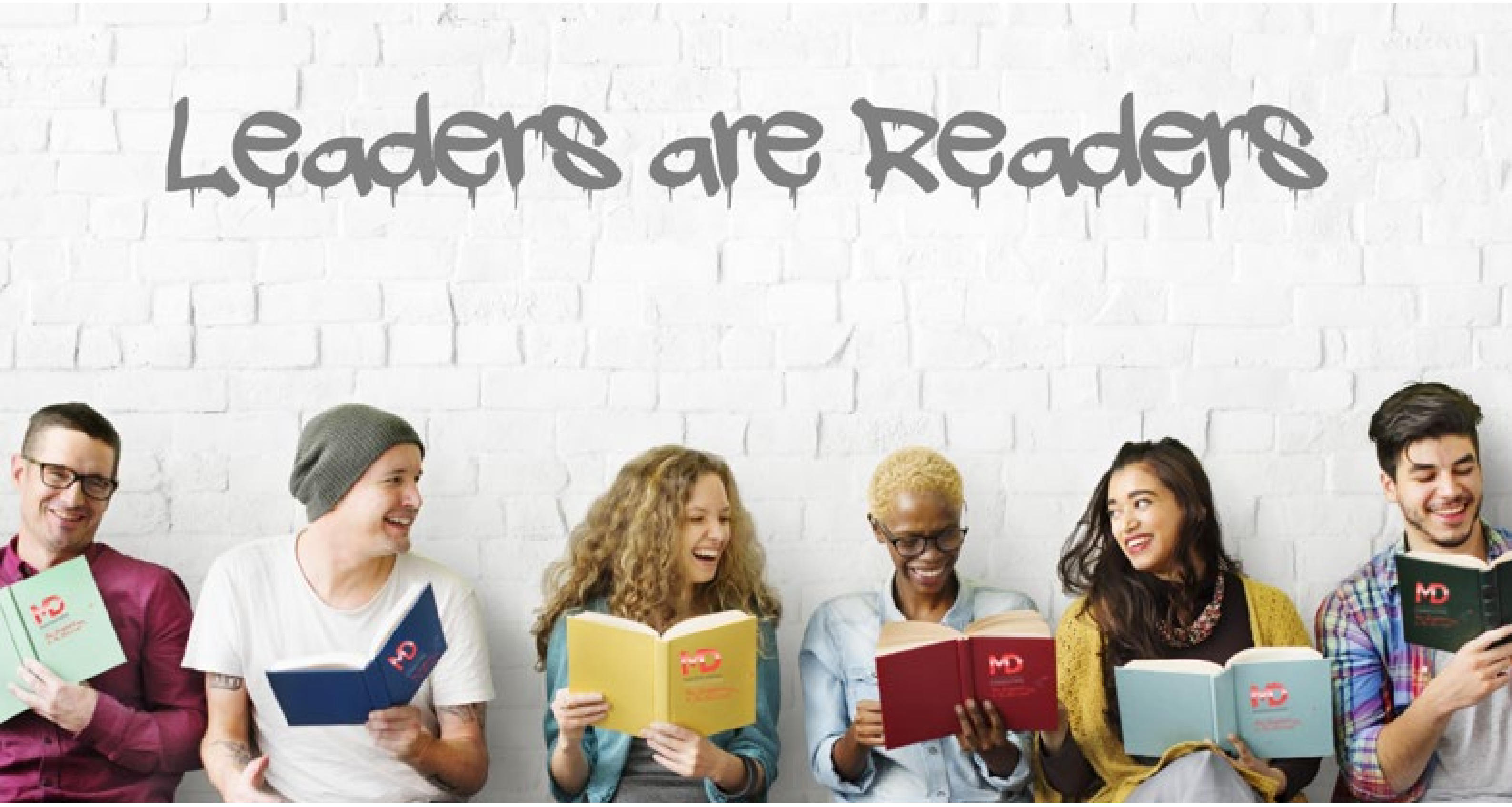

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Robert E Johnson, International Motivational Speaker, Author, and Management Consultant.

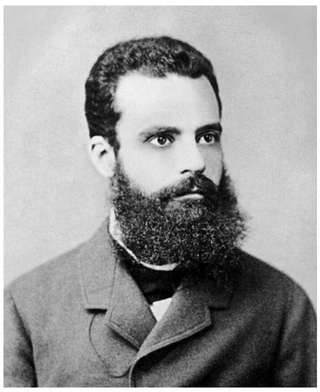
The 1 Percent Rule: Why a Few People Get Most of the Rewards

written by TREVOR MARCHANT BBUS

Sometime in the late 1800s—nobody is quite sure exactly when—a man named Vilfredo Pareto was working in his garden when he made a small but interesting discovery.

Pareto noticed that a tiny number of pea pods in his garden produced the majority of the peas.

Now, Pareto was quite the mathematician. He worked as an economist and one of his lasting legacies was turning economics into a science founded on hard numbers and facts. Unlike many economists of the time, Pareto's papers and books were filled with equations. And the peas in his garden had set his mathematical brain in motion.



What if this unequal distribution was present in other areas of life as well?

The Pareto Principle

At the time, Pareto was studying wealth in various nations. As he was Italian, he began by analysing the distribution of wealth in Italy. To his surprise, he discovered approximately 80 percent of the land in Italy was owned by just 20 percent of the people. Similar to the pea pods in his garden, most of the resources were controlled by a minority of the players.

Pareto continued his analysis in other nations and a pattern began to emerge. For instance, after studying the British income tax records, he noticed that approximately 30 percent of the population in Great Britain earned about 70 percent of the total income.

As he continued researching, Pareto found that the numbers were never quite the same, but the trend was remarkably consistent. The majority of rewards always seemed to accrue to a small percentage of people. This idea that a small number of things account for the majority of the results became known as the Pareto Principle or, more commonly, the 80/20 Rule.

Inequality, Everywhere

In the decades that followed, Pareto's work practically became gospel for economists. Once he opened the world's eyes to this idea, people started seeing it everywhere. And the 80/20 Rule is more prevalent now than ever before.

For example, if you were to chart your every waking moment you would soon discover, similar to Pareto's observations that:

- Your wear the same 20% of your wardrobe 80% of the time
- You think the same 20% of your thoughts 80% of your waking moments
- You eat the same 20% of your favourite foods at 80% of your meals ...and so on

This mysterious law applies to all of us and is the factor behind such remarkably consistent phenomena as these:

- Just 20% of the salespeople generate 80% of the sales
- Just 20% of the authors sell 80% of the books
- Just 20% of the movies make 80% of the money
- Just 20% of the music groups sell 80% of the concert seats
- Just 20% of your clients/customers generate 80% of your revenue
- And just 20% of your daily activities are responsible for 80% of your success, income, and personal happiness.

Now before we go on, please understand that it doesn't always work out to be exactly 80/20. Sometimes the pattern is 90/10, sometimes 70/30. Sometimes it 's even 99/1, where just 1 percent of the factors will give you 99 % of percent of the benefits.

Like Pareto's pea pods, a few factors account for the majority of the rewards.

My research also shows – for example, the numbers in World Cup soccer where 77 different nations have competed in the World Cup, just three countries—Brazil, Germany, and Italy—have won 13 of the first 20 World Cup tournaments...about 4 percent.

Examples of the Pareto Principle exist in everything from real estate to income inequality to tech start-ups. In the 1950s, three percent of Guatemalans owned 70 percent of the land in Guatemala. In 2013, 8.4 percent of the world population-controlled 83.3 percent of the world's wealth. In 2015, one search engine, Google, received 64 percent of search queries.

Why does this happen? Why do a few people, teams, and organizations enjoy the bulk of the rewards in life? To answer this question, let's consider an example from nature.

The Power of Accumulative Advantage

The Amazon rainforest is one of the most diverse ecosystems on Earth. Scientists have catalogued approximately 16,000 different tree species in the Amazon. But despite this remarkable level of diversity, researchers have discovered that there are approximately 227 "hyper dominant" tree species that make up nearly half of the rainforest. Just 1.4 percent of tree species account for 50 percent of the trees in the Amazon.

But why?

Imagine two plants growing side by side. Each day they will compete for sunlight and soil. If one plant can grow just a little bit faster than the other, then it can stretch taller, catch more sunlight, and soak up more rain. The next day, this additional energy allows the plant to grow even more. This pattern continues until the stronger plant crowds the other out and takes the lion's share of sunlight, soil, and nutrients.

From this advantageous position, the winning plant has a better ability to spread seeds and reproduce, which gives the species an even bigger footprint in the next generation. This process gets repeated again and again until the plants that are slightly better than the competition dominate the entire forest.

Scientists refer to this effect as 'accumulative advantage.' What begins as a small advantage gets bigger over time. One plant only needs a slight edge in the beginning to crowd out the competition and take over the entire forest.

Winner-Take-All Effects

Something similar happens in our lives.

Like plants in the rainforest, humans are often competing for the same resources. Politicians compete for the same votes. Authors compete for the same spot at the top of the best-seller list. Athletes compete for the same gold medal. Companies compete for the same potential client. Television shows compete for the same hour of your attention.

The difference between these options can be razor thin, but the winners enjoy massively outsized rewards.

Imagine two women swimming in the Olympics. One of them might be 1/100th of a second faster than the other, but she gets all of the gold medal. Ten companies might pitch a potential client, but only one of them will win the project. You only need to be a little bit better than the competition to secure all of the reward. Or perhaps you are applying for a new job. Two hundred candidates might compete for the same role but being just slightly better than other candidates earns you the entire position.

Situations in which small differences in performance lead to outsized rewards are known as Winner-Take-All-Effects. They typically occur in situations that involve relative comparison, where your performance relative to those around you is the determining factor in your success.

Not everything in life is a Winner-Take-All competition, but nearly every area of life is at least partially affected by limited resources. Any decision that involves using a limited resource like time or money will naturally result in a winner-take-all situation.

In situations like these, being just a little bit better than the competition can lead to outsized rewards because the winner takes all. You only win by 1 percent or 1 second or 1 dollar, but you capture 100 percent of the victory. The advantage of being a little bit better is not a little bit more reward, but the entire reward. The winner gets one and the rest get zero

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Winner-Take-All Leads to Winner-Take-Most

Winner-Take-All Effects in individual competitions can lead to Winner-Take-Most Effects in the larger game of life.

From this advantageous position—with the gold medal in hand or with cash in the bank or from the chair in the Prime Minister's Office —the winner begins the process of accumulating advantages that make it easier for them to win the next time around. What began as a small margin is starting to trend toward the 80/20 Rule.

If one road is slightly more convenient than the other, then more people travel down it and more businesses are likely to build alongside it. As more businesses are built, people have additional reasons for using the road and so it gets even more traffic. Soon you end up with a saying like, "20 percent of the roads receive 80 percent of the traffic."

If one business has a technology that is more innovative than another, then more people will buy their products. As the business makes more money, they can invest in additional technology, pay higher salaries, and hire better people. By the time the competition catches up, there are other reasons for clients to stick with the first business. Soon, one company dominates the industry.

If one author hits the best-seller list, then publishers will be more interested in their next book. When the second book comes out, the publisher will put more resources and marketing power behind it, which makes it easier to hit the best-seller list for a second time. Soon, you begin to understand why a few books sell millions of copies while the majority struggle to sell a few thousand copies.

The margin between good and great is narrower than it seems. What begins as a slight edge over the competition compounds with each additional contest.

Winning one competition improves your odds of winning the next. Each additional cycle further cements the status of those at the top.

Over time, those that are slightly better end up with the majority of the rewards. Those that are slightly worse end up with next to nothing. This idea is sometimes referred to as The Matthew Effect, which references a passage in The Bible that says, "For all those who have, more will be given, and they will have an abundance; but from those who have nothing, even what they have will be taken away."

Now, let's come back to the question I posed near the beginning of this article. Why do a few people, teams, and organizations enjoy the bulk of the rewards in life?

The 1 Percent Rule

Small differences in performance can lead to very unequal distributions when repeated over time. This is yet another reason why habits are so important. The people and organizations that can do the right things, more consistently are more likely to maintain a slight edge and accumulate disproportionate rewards over time.

You only need to be slightly better than your competition, but if you are able to maintain a slight edge today and tomorrow and the day after that, then you can repeat the process of winning by just a little bit over and over again. And thanks to Winner-Take-All Effects, each win delivers outsized rewards.

We can call this The 1 Percent Rule. The 1 Percent Rule states that over time the majority of the rewards in a given field will accumulate to the people, teams, and organizations that maintain a 1 percent advantage over the alternatives. You don't need to be twice as good to get twice the results. You just need to be slightly better.

The 1 Percent Rule is not merely a reference to the fact that small differences accumulate into significant advantages, but also to the idea that those who are 1 percent better *rule* their respective fields and industries. Thus, the process of accumulative advantage is the hidden engine that drives the 80/20 Rule.

Let me finish with this – an *extract* from our popular SAMEPAGE program...a program that gets everyone from the CEO to the newest employee – on the same page.

November 6, 2006. The New York Marathon. On this blistering, sticky day, Paul Tergat surged one last time, breaking the tape only one heartbeat before the defending champion, Hendrick Ramaala, fell across the finish line. After more than two hours of running, the 2006 New York City Marathon came down to a final sprint and a third of a second. One of the closest finishes in race history.

A one-percent better finish. A heartbeat.

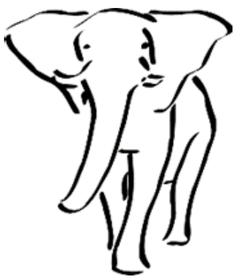
What if you can do one thing 1% better each day?

A task, a thought, an activity, a conversation.

Multiplied over time, what would that mean to you?

It could be as simple as:

- Asking one more question to a prospect or customer.
- Making one more call, a 'how are you going' call or courteous call to a customer to ensure you're providing exemplary customer service.
- Refining one more step in your sales process and presentations
- Delivering one more presentation.
- One more skill to develop.
- Scripting and sending one more follow up email.
- Looking for one more person to help.
- Engaging in one more social media activity.
- One more coaching conversation.
- One more article to read or skill to practice.
- One more entry in your CRM.
- One more hour to plan another day.
- One more rep in the gym.
- One more kilometre in your run.



Just one—more—step, one final surge, one shift in thinking, one trigger event, that gives you one-third of a second lead.

What would that mean today and tomorrow?

Live Well, Lead Strong and (always) Good Selling.

TREVOR MARCHANT & EVE DALLAS

THE MARCHANT DALLAS BUSINESS SYSTEM

for holding on to what you've got
and attracting more of the same ...

" A business improvement and growth system for ALL business owners."

There's a common thread that runs through those few businesses who are just bursting out the top - all the time.

They're meeting and exceeding goals.

They're realising their visions and aspirations.

They're always over and above expectations....and these robust, energised, continually successful businesses seem to have a secret. And frankly, we have studied it, we have gone to school, we have consulted, we've done everything we can to find the formula that says – "We will be one of these businesses in this very small, select group that achieves perpetual success."

The secret, the clue, the common thread is simply **how you treat people.**

It's how you treat your fellow man, and how you treat your team members and how you treat your clients, your regulators, the public, your audiences, your communities. How you value the worth of an individual, how you bring the human factor into real importance and not just a statement you make in your 'wish list' of strategic objectives.'

If you treat people with respect, then you are well on your way to earning respect...which is what every business leader must have to even have half a chance of becoming successful.

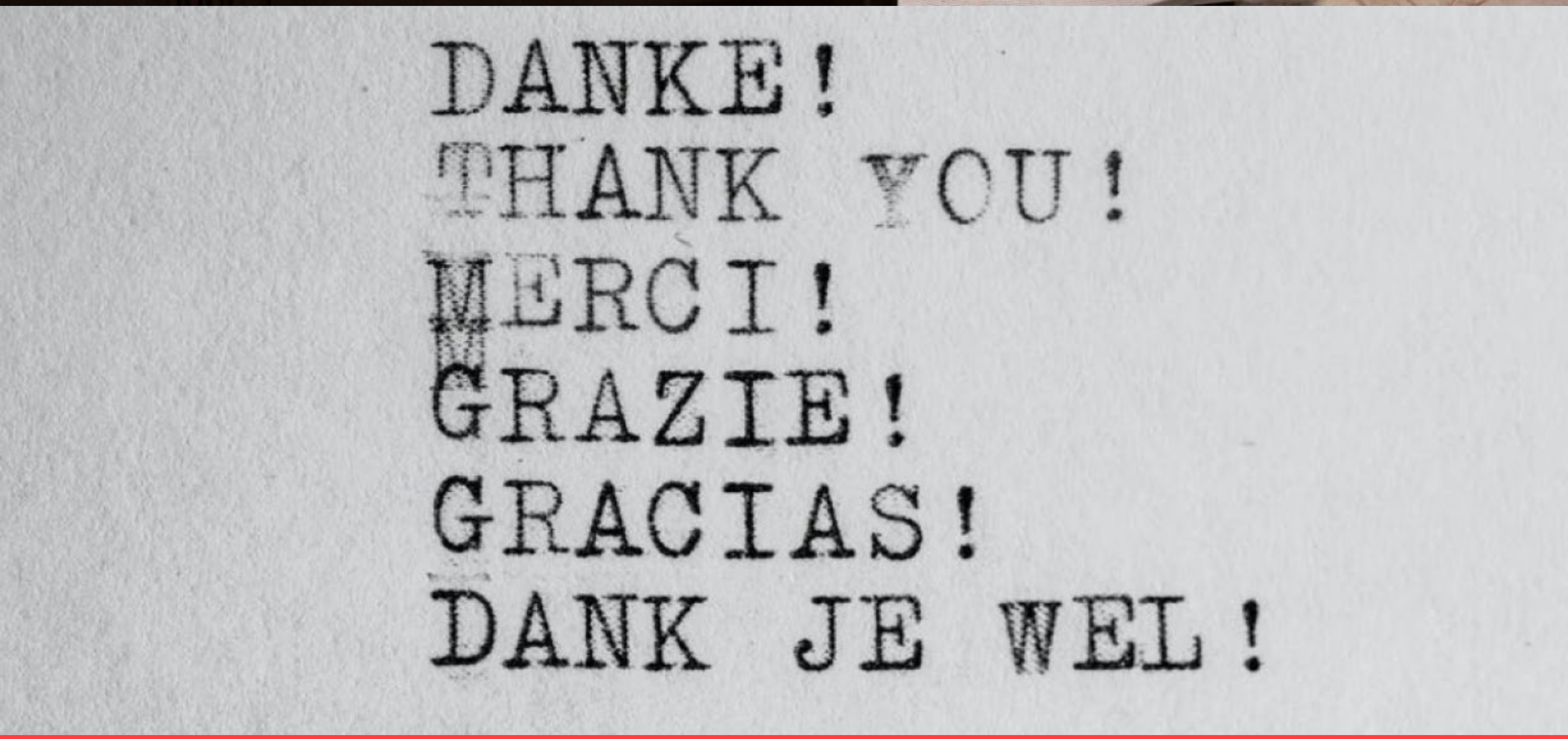
If people don't respect you, it follows they usually don't like you either and therefore they won't trust you....and trust as you know is the one thing that changes everything.

Without trust – you may as well go home.

So, if you want to improve your retention rate and remember a 5% improvement in retention will lead to a 25- 60% increase in profits and if you want to grow your revenue exponentially and all of this makes sense to you then a closer look at the MARCHANT DALLAS BUSINESS SYSTEM for ALL business owners is an essential NEXT STEP...

marchantdallas CONSULTING
Your Springboard to The Next Level

THE BUSINESS IMPROVEMENT AND GROWTH SYSTEM FOR ALL BUSINESS OWNERS



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