Pareto Analysis*

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Abstract

Pareto Analysis Technique: The primary focus is to aid students in making quick decisions while still taking into account rational action and feasibility.

1 Challenge: Pareto Analysis

Unit: Negotiation and Compromise

Subject: Leadership

Description: Pareto Analysis Technique: The primary focus is to aid students in making quick decisions while still taking into account rational action and feasibility.

`Situation`

You asked for your employees to keep track of feedback in several areas of your Co-op. Give students the following information as a whole group. You may change the feedback according to your environment.

`Phase I`

- Divide the class in half by customers and management.
- Each half of the class, in light of their role, will order these pieces of feedback from customers by highest priority and give them numbers 1-5 with 1 being the most important and 5 being least important.
- Have the students discuss why they think grouping feedback is important.
- You will end up with two-ordered groups of the following feedback.

- Complaints
- Criticisms
- Suggestions
- Compliments
- Questions

`Phase II`

Give the students a scenario of feedback, either the following one or have them create their own. If they do decide to create their own show them this example and have them make it similar and conducive to their regional or specific circumstances.

Feedback received and tracked by employees in your Co-Op

- 11 complaints of broken eggs

- 3 criticisms concerning filth around the vending stand

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- 10 complaints on rotting produce from the inside out
- 2 suggestions on how employees should better handle produce
- 4 compliments on friendliness of employees
- 9 complaints on incorrect change
- 7 compliments for promptness of delivery
- 2 complaints given for tardiness of delivery
- 3 questions went unanswered if a certain pesticide was used or not and how much

- Have each half of the class take the entirety of feedback received and evaluate it in comparison to the ordered grouping they just decided upon as a class.
- Now have each group attach results with a hierarchal order, but do not give them the following example because it is the most likely the best scenario. They will discover this after the second half of the challenge is completed.

- 1 / 32 Complaints
- 2 / 3 Criticisms
- 3 / 2 Suggestions
- 4 / 3 Questions
- 5 / 11 Compliments

i.e. for number of broken eggs = 1 / 32
The 1 equals the ranking given to the type of feedback
The 32 is the number of comments received on that type of feedback the Co-op received.

`Phase III`

- Have the customer group give feedback as to what the management groups' collective decisions would do for them. i.e. would it make them happy customers, make them a return customer, make them turn down further delivery services, purchase from a vendor who is located further away, etc.
- Have a few students record the reactions of the customers.

2 nd Half

`Phase IV`

This is the first phase in repeating the challenge but with guidance for the groups and more general categories.

- This time each half will switch roles
- Give the students the following guideline of how feedback is most effectively categorized.
- This time students will use this order to classify their feedback. Explain to the students this is generally the most effective way but other circumstances may call for a different order.

- 1. Complaints
- 2. Criticisms
- 3. Suggestions
- 4. Questions
- 5. Compliments

`Phase V`

Give the students a scenario of feedback, either this one again or have them create one that is similar and conducive to their regional or specific circumstances.

Feedback received and tracked by employees in your Co-Op

- 11 complaints of broken eggs

- 3 criticisms concerning filth around the vending stand
- 10 complaints on rotting produce from the inside out
- 2 suggestions on how employees should better handle produce
- 4 compliments on friendliness of employees
- 9 complaints on incorrect change
- 7 compliments for promptness of delivery
- 2 complaints given for tardiness of delivery
- 3 questions went unanswered if a certain pesticide was used or not and how much *This time have students match up this feedback to general categories before they go any further.

- You can give students the categories or see if they can come up with the categories themselves
- Have students categorize the feedback into the general categories so the Co-op knows which areas to focus its efforts.
- Ask students to justify why they would place an example into a certain categories.

General Categories Feedback form Customers is Tied to

(If needs be students can come up with more categories)

- product
- work ethic
- education (employees, management, & clients)
- management
- logistics
- attitude

Examples:

How feedback can be tied back to general categories. Some examples cross categories and can apply to two or more categories.

- Rotten produce, broken eggs: These are related to either product or education (depending if the eggs are breaking because of employee handling or deficiencies in the chickens diets)
- Pesticides, filth, math/money, handling of produce: These are related to the education of employees
- Delivery: This is related to either logistics or work ethic
- Friendliness: This is related to work ethic or attitude

`Phase VI`

- Have each half of the class take the entirety of feedback received and evaluate it in comparison to the ordered grouping suggested above
- Now have students attach results with a hierarchal order.
- Students should arrive at this solution (same as above)

- 1 / 32 Complaints
- 2 / 3 Criticisms
- 3 / 2 Suggestions
- 4 / 3 Questions

- 5 / 11 Compliments

`Phase VII`

- Have the customer group give feedback as to what the management groups' collective decisions would do for them. i.e. would it make them recommend their Co-op, make them a return customer, make them begin growing their own produce, purchase from a larger supermarket, etc.

- Have a few students record the reactions of the customers
- Make a comparison with the new responses and the responses of the first half of the challenge
- Students should make an analysis if the way they ordered the feedback was more productive in creating customer satisfaction over the recommended order. (1st half vs. 2nd half)

`Time Limit:` Incorporate a time constraint that creates pressure

Competencies

`Core Competencies`

- Decision Making: how to make quick, wise decisions
- Prioritizing: placing tasks, options or concerns in order of most to least important
- Efficiency: time management, selecting the most rational direction as a leader
- Critical Thinking: deductive reasoning in evaluation of variables
- Research driven discovery: research and administration of effective methods of discovery
- Continual Improvement: recognizing problems and working to fix them
- Ethical Action: taking moral and ethical issues into consideration
- Creative Problem Solving: thinking "outside the box" to address problems or meet goals
- Motivate: to achieve sustainability (ethical, environmental, economically, etc)
- Facilitate & engage effective discussion

Content

Required:

-Paper

-Writing utensils

Possible:

-Calculator depending on how large of numbers exist.

In Pareto Analysis students will give a rating/score to the categories of feedback and then weight the number of feedback responses they receive.

- This will aid in either eliminating the least efficient options and/or ordering those options which need to be attended to first or are of most value.
- One of the greatest benefits of this exercise should be recognizing number one as the option that will provide the greatest benefit.
- The second benefit for students will be for them to be able to recognize which of the bottom options are not cost effective for the Co-op to focus on.
- It will also aid students in either grouping or eliminating options if there are too many.

Explanation of why feedback is valued and how it is in this challenge.

If we wanted to negate the negative forces we will rate the feedback category with the greatest negative connotation first and so on to the positive. Putting the positive feedback first is also viable; however, one area with high negative feedback may detract from numerous other areas with high achievement.

Focusing on the positive aspects of a business and becoming good at just a few things is a new method of applying business analysis so we should not disregard it.

Open Educational Resources

Adapted from:

http://www.mindtools.com/pages/article/newTED_01.htm