The role of data in smarter business and life decisions

Description

In 1973, a psychologist named Paul Slovic sat eight professional horse-racing handicappers down and ran a fun little experiment. These eight men were not weekend punters. They made their living reading form guides.

Slovic gave each of them five pieces of information about a field of horses, asked them to pick the winners, and rate how sure they felt. With five variables, they got about 17 per cent right, well ahead of the roughly one-in-ten youâ??d manage by guessing. Then he gave them more. Ten variables, then twenty, then forty. The accuracy did not move. In fact, their confidence kept climbing with every extra scrap of data.

Sit with that for a second, because it explains a startling amount of what goes wrong in offices and lounge rooms around the world. The extra numbers didnâ??t make those men sharper. They made them surer. And surer is not the same as righter, however identical the two feel from the inside. The first five variables earned their keep, taking the handicappers from a coin flip to something better. Everything after that was just expensive reassurance with diminishing returns.

So, the useful question was never â??do I have enough data?â?• It was â??which bits were ever going to matter, and have I already got them?â?• The key point here is that data can be an absolute game-changer when handled correctly and with the right amount of exposure.

The ones who win arenâ??t the ones with the most data

If thatâ??s true, youâ??d expect the businesses that do well to be the ones who pick their numbers carefully rather than the ones who collect the most. And they are.

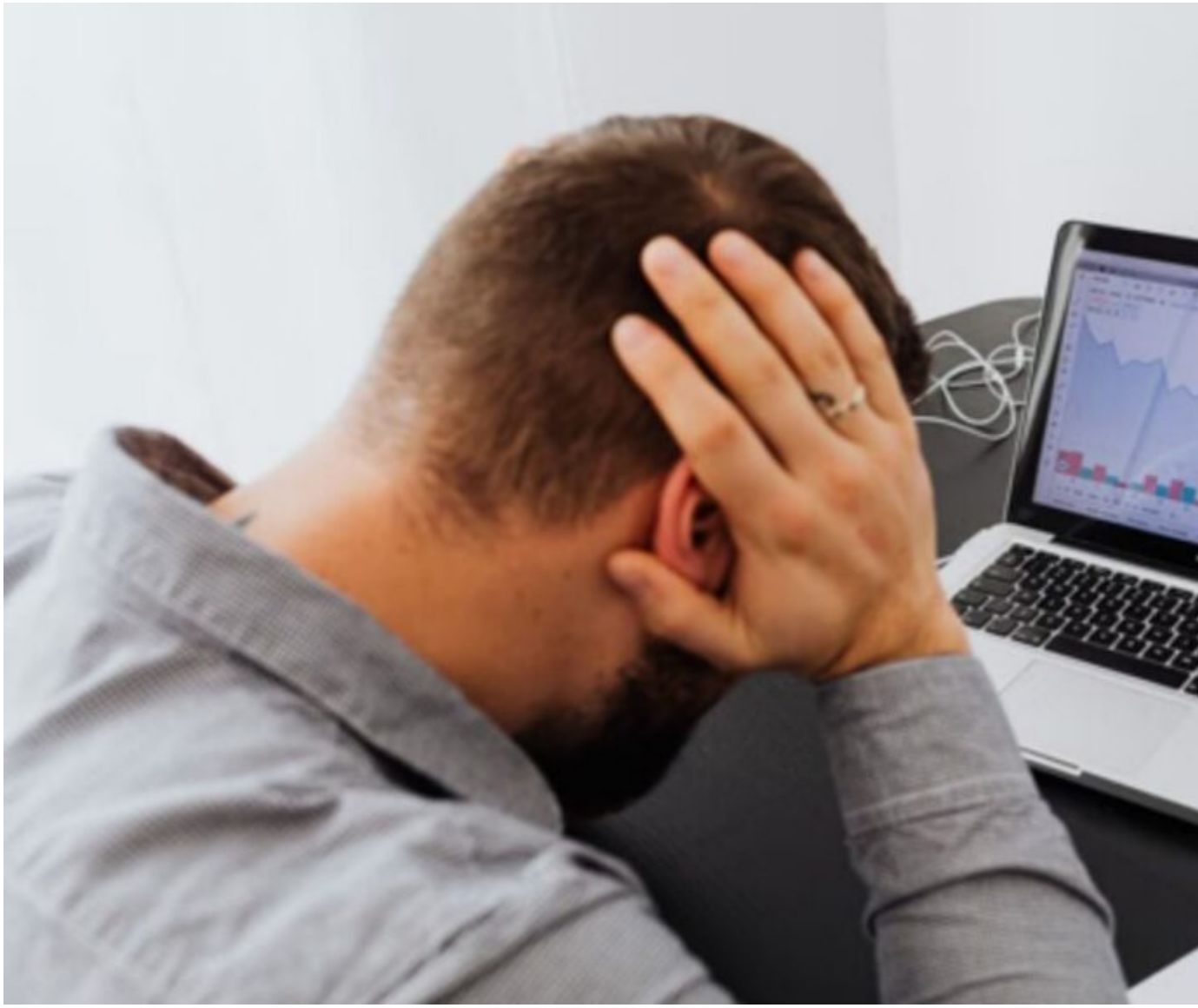
Erik Brynjolfsson and his team at MIT went through 179 large companies and found the ones genuinely making decisions from data, rather than gut, came out about 5 to 6 per cent more productive than their tech spending alone could explain. Five per cent sounds like nothing.

Let it compound for ten years against a rival who still settles arguments by seniority and volume, though, and it can become a chasm. The true leaders werenâ??t the firms hoarding the most data. The real advantage is in knowing which numbers to focus on.

This is a cafe, not a corporation, is what you might say

You donâ??t need a tower in the city for any of this. Most of us arenâ??t in one anyway. In Australia, 97.3% of businesses are small, going by the ABS line of fewer than twenty staff and including sole traders, two-person trades and even the bloke doing signage out of his garage.

Say you run a cafe and youâ??re sure the new toastie is a hit. But the till has been keeping count the whole time. When you check the last two weeks of sales, it turns out the toastie is selling four a day, while the plain ham and cheese is the one paying your gas bill. You donâ??t need some fancy AI tool to tell you that. Just looking more closely at your till can uncover this insight for you.



The bit no one warns you about

Getting the data is easy. The cafe owner already has years of it sitting in the till. The hard part is deciding which two or three figures actually answer your question, and then not using â??let me just check one more thingâ?• as a way to never decide anything at all.

Slovicâ??s handicappers should have placed their bets at five variables and gone home. Most of us go looking for the fortieth, because more research feels responsible even when it changes nothing.

Knowing which numbers matter and which are just noise is a skill, and you can learn it. Thatâ??s really what a course like applied business analytics online teaches. Itâ??s less about the software and more about asking the right question, so the numbers can actually answer it.

When you run out of numbers

Hereâ??s the twist, though. Sometimes you do everything right, read the figures that count, and the data still runs out before the decision does.

The economist Steven Levitt once rounded up thousands of people stuck on a genuine fork, the quit-the-job or leave-the-relationship kind, and got them to flip a coin. Heads meant â??make the changeâ??. Six months on, the people the coin had shoved into action were happier than the ones it told to sit tight. His blunt read was that we hesitate for far too long, and that most of us would be better off walking away from more things than we do.

So thatâ??s the real, honest size of it. Data sharpens the call and knocks over a few comforting stories youâ??d rather keep, which is worth a great deal. What it canâ??t do is hand you certainty, and waiting for the one last figure that finally makes you feel safe is usually just stalling with extra steps. Read the few numbers that matter, be straight with yourself about what they say, and then call it. You can keep the coin in your pocket.

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Date
11/17/2026
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