Does More Data Equal More Information?

By Don Berliner

Back in the B.C. (Before Computers) years, we all longed for as much data as we could get our hands on. After all, more is better, right? Along came the Excessive Eighties, and with them the continuing desire to glom onto more and more data to feed our analysis frenzy. A symbol of this voracious appetite appears in the movie *Short Circuit*, in which a gangly-looking, Rube Goldbergian computerized robot was in constant search for humongous amounts of "Input, input!" to nourish his spongelike brain, which had virtually unlimited capacity.

Once computers started infiltrating from back office to front office to every office in between, our prayers seemed to have been answered. And what was the result? Reports landing on managers' desks had to be lifted with two hands...and a forklift. Those reports typically were the inch-or-two-thick, wide-paper computer printouts that purported to display every meaningful dollop of information about the company under study. Well, yes, probably every dollop was there—but could you find the one you wanted buried deep in that pile of data?

In an effort to improve the situation, some information systems analysts decided that the manager needed the calculation of various summary statistics for quick review. What soon ensued was the Statistical Battle of the Bulge, which generated a barrage of every imaginable statistic off of the underlying numbers. Then when managers looked at a company's earnings or an investment manager's track record, they had available for review 58 calculated measures—in addition to the data driving them. Was *this* better information?

It appears we were being seduced (or drowned) by the technology. And adding to the flood, microcomputer technology of the past decade has spawned a legion of "spreadsheet jockeys," who model any business situation to death, generating hundreds of "what-if" scenarios. Look at what happens when we prepare a client proposal, for example. Whereas in days past, we would have been satisfied (if not thrilled) to get that proposal—with its analyses, charts and graphs—95 percent "right" after the fourth draft, nowadays we won't settle until it is 99 percent right after 30 or 40 drafts! And what of the time spent getting to this increased level of "right-ness?" If we spend 5 hours to get to the 95 percent level, is it worth it to spend 25 hours to reach 99 percent? Is more really better?

The productivity issue just screams out to be heard here. Computer technology in general has allowed us to increase productivity and to accomplish more per hour of expended effort. My claim is that, even though this is usually true (there are, however, many cases in which it is not), we may wind up spending more and more total time and effort on, say, analyzing a trader's portfolio, in order to reach for that just-over-the-horizon 100 percent point that we think is within our grasp. Just a few more scenarios, just one more draft, will do it. Is it worth it?

Yes, computer technology is a remarkable tool. But don't be ruled by the tool. You, not the computer, are the master. With the computer you can amplify your productivity, but don't use technology simply because, like Mt. Everest beckoning to the aspiring mountain climber, "it is there." Think about your productivity trade-offs before generating "just one more" spreadsheet scenario or performance statistic. Know when to cut loose; know when enough is enough.

Sometimes less is indeed more, and simplicity is elegance. It should be pointed out that, in what may have been an unintended tribute to that idea, the name given the data-chomping robot in *Short Circuit* was not some long-winded, multisyllable, high-tech name, but rather, simply, #5. Chew on that one.

Don Berliner is Vice-President with Enterprise Technology Corp., a technology consulting firm which has specialized in the formulation and implementation of successful technology strategies for companies in the financial services industry since 1978. He has a wide depth and breadth of experience across the Information Technology spectrum. He recently contributed a chapter on Data/Computer Security for the ***Handbook of Investment Technology*** *published by McGraw-Hill.*
E-mail: dberliner@etcny.com Website: www.etcny.com

WALL STREET & TECHNOLOGY