Analysis Traps

Business & Management

The mistakes that produce confident and wrong conclusions.

The recurring errors in business analysis.

Trap	What happens
Survivorship bias	Only successes are in the data
Simpson's paradox	The trend reverses within subgroups
Regression to the mean	Extremes drift back, and get credited
Base rate neglect	Ignoring how rare something is
Cherry-picking the window	The date range makes the trend
Multiple comparisons	Test twenty things, one looks significant

Regression to the mean explains most 'the intervention worked' claims after a bad month. Always compare against a control.