

More Experience Won't Necessarily Improve Returns



If you listen to Malcolm Gladwell, you might believe spending 10,000 hours on investing will help you make better portfolio decisions. In his bestselling book, “Outliers” (Little, Brown and Company, 2008), Gladwell cites data from a study linking hours practiced to expertise. Gladwell’s assertion of the number of hours required to gain mastery of a skill is based on a 1993 study of violinists by K. Anders Ericsson and colleagues at Florida State University. The best violinists practiced 10,000 hours, 2,500 more hours than other violinists, according to the Ericsson group.

The Ericsson et al. study is widely cited. If one were to extrapolate its results, a link between the amount of time spent investing and portfolio returns could be drawn. Similar links could be drawn between practice and other activities as well. This is not the case, however. A study recently highlighted by Business Insider argues the amount of practice actually only plays a small role in the mastery of a skill.

In “Deliberate Practice: Is That All It Takes to Become an Expert?,” six researchers analyzed the data from many studies on chess and music. The researchers describe these activities as the “the two most widely studied domains in expertise research.” They found deliberate practice only accounts for 34% of variance in chess performance and 29.9% of variance in music performance.

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