When Good Data Hides Bad News

May 18, 2026

The chicken had excellent historical data. Every day, the farmer arrived. Every day, the same hands brought food. Each visit confirmed the pattern. So when the chicken saw the farmer coming, it knew what was about to happen. Food.

Until Christmas, when it learned that the same hands could have another meaning.

Russell used the story to explain the problem of induction: the past can confirm a pattern for a very long time without proving that the pattern will continue. The chicken was not stupid. It was reasoning from the evidence available to it. The problem was that the evidence described yesterday's relationship with the farmer, not tomorrow's risk.

A segment reports stable revenue and margins ahead of last year. In the board pack the numbers are all green, and the commentary is comforting. Nothing appears wrong. The pattern is confirmed month after month. The business looks predictable.

But underneath the segment, the reality has changed. The regular service activity has been declining for three quarters. Order intake is weakening, utilization is slipping, and pricing pressure is building. At the same time, one large, high-margin contract lands in the same segment, fully masking the deterioration. Management is not looking at false data. It is looking at true data aggregated at a level where the warning signal is not visible. Economic reality has been compressed too early.

This is one of the most underestimated risks in financial reporting. The danger is not always missing data. Often the data is there, but summarized at the wrong level. A segment can look stable while its mix is deteriorating. Growth in one activity can hide erosion in another. A one-off contract can keep the dashboard green just long enough for management to miss the structural decline beneath it.

The real question is therefore not only whether the number reconciles. It is whether the number still means something at the level where it is reported.

That is why the data model is not a technical detail. It determines which economic realities survive the journey to the boardroom, and which ones disappear into the total. It decides whether management sees the business as it is changing, or only as it used to behave when the old pattern still held.

Sometimes the most dangerous number in the board pack is not the red one. It is the green one that keeps everyone comfortable.

Russell's chicken did not have bad data. It trusted the wrong pattern.