

HDFC MF

Weekend Bytes

A weekly series from HDFC Mutual Fund

The Bike Shed Effect – Bringing Focus to What Matters!



A familiar story

Most of us have experienced it.

You decide to buy a new phone. Before long, you're comparing camera quality, battery life, processor speed and colors. You watch review videos, read customer comments, compare prices across websites and ask friends for recommendations. Hours disappear. Sometimes even days. And when you finally make the purchase, you're convinced you've made the perfect choice.

Yet many of the decisions that shape our lives receive far less attention. Our health. Our careers. Our relationships. And our financial future.

It's not because they matter less. It's because they're harder to evaluate at times. So we naturally gravitate towards decisions that feel easier to deal with.

The Bike Shed Effect

There's a name for this tendency: The Bike Shed Effect.

British historian C. Northcote Parkinson illustrated this with a story. A committee meets to approve a nuclear power plant. The reactor—complex and strategically important—is cleared in minutes, because few members understand it well enough to question it. Then comes the staff bicycle shed. Suddenly everyone has a view: the color, the material, the cost. The discussion stretches on for an hour.

The reactor mattered most. The bike shed received most of the discussion.

In everyday life, we don't just make decisions—we also decide where our attention goes. And sometimes, our attention ends up on what is easiest to think about rather than what matters most.



Source - Wikipedia. Law of Triviality. Available at: https://en.wikipedia.org/wiki/Law_of_triviality

The Investor Version

The same thing happens when we invest.

It's easy to compare short-term returns, follow daily market movements or spend hours searching for the "best" option. These are visible, measurable and easy to compare. They give us the reassuring feeling that we're staying informed.

Our minds naturally mistake what's visible for what's important.

The more meaningful decisions are quieter. Are you investing enough for the future you want, and has your SIP kept pace as your income has grown? Is your asset allocation aligned with your goals and your ability to stay invested during periods of uncertainty?

These questions rarely attract attention, but they may quietly shape long-term outcomes.

If we step back, the contrast becomes clear.



What Generally Drives Long-Term Outcomes

Investment Decision	Likely Impact on Outcome	Attention Typically Given
Asset allocation (equity vs. other assets)	Very High	Low
Monthly savings / SIP amount	Very High	Low
Investment time horizon	Very High	Low
Frequently switching between similar funds	Low	Very High
Short-term return rankings	Low	Very High
Daily NAV / portfolio monitoring	Low	Very High

The Real Bike Shed

The Bike Shed Effect isn't about ignoring details. Details matter. The lesson is to give our biggest decisions the attention they deserve before getting caught up in the smaller ones.

The next time you find yourself spending hours comparing similar investment choices, pause for a moment. Check whether your SIP reflects your current income—not the income you earned a few years ago.

And before comparing similar schemes, ask a bigger question: Have you chosen a fund house with an experienced team, track record across market cycles, and disciplined investment and risk management processes? These foundations quietly matter far more over the long term.

Perhaps that's where wealth is gradually built—not in the bike shed of endless scheme comparisons, but in the quiet, strategically important decisions that truly deserve our attention.



Views expressed above are indicative and should not be construed as investment advice or as a substitute for financial planning. Due to the personal nature of investments, investors are advised to seek professional advice before investing.

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**

Mission: To be the wealth creator for every Indian

Vision: To be the most respected asset manager in the world