1. Calculate the deviation from each data point from the mean and square (multiply with itself) the result: \((2-6)^2, (4-6)^2, (6-6)^2, (8-6)^2, (10-6)^2\)
   
   This gives us:
   \((-4)^2, (-2)^2, (0)^2, (2)^2, (4)^2\)
   
   and accordingly, once squared:
   \[16, 4, 0, 4, 16\]

2. Add up all the squared values, that is
   \[16 + 4 + 0 + 4 + 16 = 40\]
   This value is called the sum of squares.

3. Now, we divide the sum of squares by the sample size minus 1, that is, \(N-1\). In essence, the subtraction of 1 eliminates any bias that a small sample in comparison to a large population could bring up – we shall ignore the technical details here. In our example, \(N=5\), so we divide the sum of squares by 4 \((5-1=4)\):
   \[\sigma^2=40/4=10\]

   Our variance, or mean squared deviation from the mean, is 10. Now comes the annoying bit: since we have squared all the differences, we have also squared the units of measurement. That is, our variance is 10 squared funding bids. This obviously makes little sense, although the variance as a mathematic construct is used in several statistical tools which we will come across – we shall ignore the details here. Again, the solution is easy: a much more comprehensive measure is the standard deviation. And the standard deviation \((\sigma\) or SD) is nothing but the square root of the variance:

   \[\sigma = \sqrt{\sigma^2}\]

   In our example, the SD is hence:

   \[\sigma = \sqrt{10} = 3.16\]

   The advantage of the SD is that we get our original units of measurements back. That is, our SD is 3.16 funding bids. The standard deviation for one sample is often difficult to interpret on its own; as a guideline, the smaller the SD is in relation to the mean, the less dispersed the data is, that is, the closer individual values are to the mean. In our example, the mean is 6 and the SD is 3.16, indicating that the bids are relatively close to the mean.