

MAXIMIZE THE
BUSINESS VALUE
OF SOFTWARE

Tying Project Measures to Performance Incentives

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Borland®

Software Delivery Optimization

Transforming software development to a disciplined, managed business process that aligns people, processes, and technology to maximize the business value of software



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Agenda

- ❖ Management's Struggle
- ❖ Gaining Access to Data
- ❖ Performance Data
- ❖ Typical Incentive Approach
- ❖ Talking through an Example
- ❖ The Dangers of Measures
- ❖ An Alternative Approach

Management's Struggle

- ❖ Identifying and rewarding top performers
- ❖ Identifying and assisting weak performers
- ❖ Creating performance incentives
- ❖ Lack of data to reflect performance



Gaining Access to Project Data

- ❖ Projects are rich data sources
- ❖ Objective information
- ❖ Indicator of performance
 - Project
 - Individual



Types of Data

- ❖ Effort
- ❖ Schedule
- ❖ Quality
- ❖ Process Compliance
- ❖ Personal Improvement



Typical Incentive Approach

❖ Bonuses

- Percent of base salary
- Some can be quite sizeable

❖ “Awards”

- Employee of the Month/Quarter award
- Movie tickets
- Restaurant coupons

❖ Tying measures to rewards

- Percent of bonus



An Example – Effort Variance

- ❖ Difference between estimated effort and actual effort
 - 100 hours estimated and 80 hours expended is a -20%
 - 100 hours estimated and 120 hours expended is a +20%
- ❖ Organization wants to have incentives to get work done faster than estimated
 - 40% of \$10,000 bonus target (i.e., \$4000)
 - -20% = full bonus
 - -15% = 80% of bonus
 - -10% = 50% of bonus
 - -5% = 25% of bonus
 - 0% = 10% of bonus
 - Anything else is 0% bonus and requires corrective action

Reasons for Desired Results (-20%)

❖ Estimate

- Engineers padded their estimates
- Estimation parameters were wrong

❖ Scope

- Lack of understanding of scope
- Scope reduced but estimate not updated

❖ Process

- Steps skipped

➔ ▪ A process improvement occurred

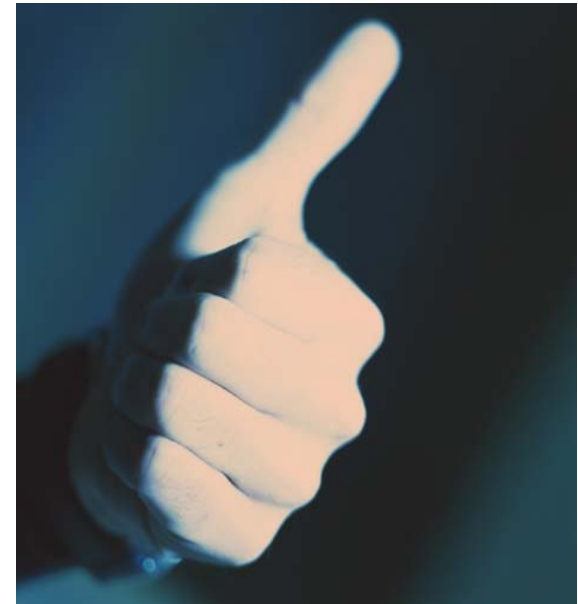
❖ Performance

- Hours worked were not recorded/reported

➔ ▪ Brilliant work was performed

- Missed one or more requirements

- Allowed poor quality in order to meet a deadline



Reasons for Undesired Results (+20%)

❖ Estimate

- Someone lowered the original estimates to meet mandated cost/schedule

- ➔ ■ Estimation parameters were wrong

❖ Scope

- Lack of understanding of scope
- Scope increased but the estimate was not updated
- Customer was indecisive on the requirements

❖ Process

- Process is inefficient
- The process does not match the customer's needs
- Unnecessary/inappropriate steps were taken

❖ Performance

- Meets initial estimate but does not meet the modified estimate to meet budget/schedule

- ➔ ■ Poor work performance

- Added capability the customer did not ask for



Talking through an Example

❖ Brainstorm causes for quality

- Good quality
- Bad quality

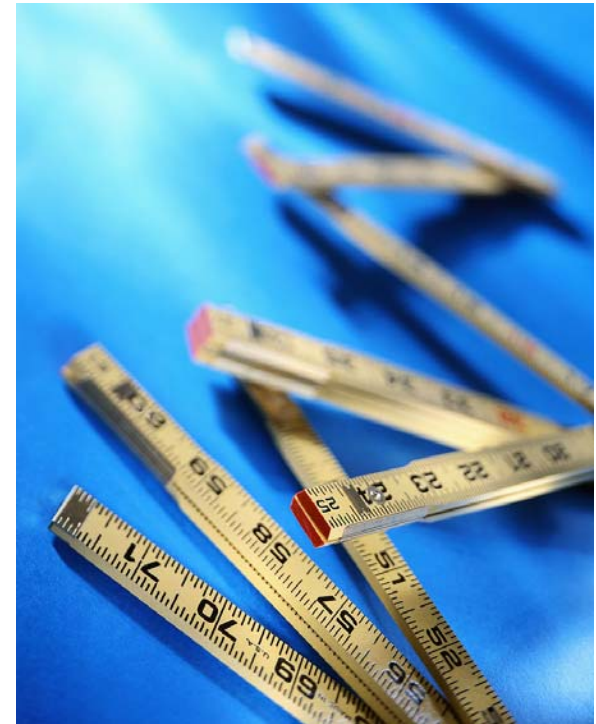
❖ Which behaviors do you...

- Reward?
- Correct?



The Dangers of Measures

- ❖ Measures are not absolutes
 - Other factors impact
 - Difficult to create a totally fair system
- ❖ Unintended consequences
 - “Hawthorne Effect”
 - Examples



An Alternative Approach

❖ Indirect links

- Reward off overall rating
- Use a grid

❖ Specify levels of performance

- High
- Medium
- Low
- Unsatisfactory
- The thresholds specify the points of emphasis



❖ Percentage of bonus based on overall rating

Defining the Levels

Measure	High	Medium	Low	Unsatisfactory
Effort Variance	Any variance better than -X%	Variance between -X% and -Y%	Variance between -Y% and +Z%	Variance greater than Z%
Schedule Variance	Any variance better than -X%	Variance between -X% and -Y%	Variance between -Y% and +Z%	Variance greater than Z%
Quality	Any variance better than X% of the team average	Variance between X% and Y% of the team average	Variance between Y% and Z% of the team average	Defect rate worse than Z% of the team average
Process Compliance	Recommended process improvement accepted for implementation and complied with defined processes	Participated in process improvement activities and complied with defined processes	Complied with defined processes on regular basis	Inconsistent use of defined processes

Example Grid

Highs	Mediums	Lows	Unsatisfactories	% Incentive
4	0	0	0	100
3	1	0	0	95
3	0	1	0	90
2	2	0	0	90
2	1	1	0	80
⋮	⋮	⋮	⋮	⋮
0	1	3	0	10
0	0	4	0	0
-	-	-	1 or more	0

Summary

- ❖ Not saying don't create incentives
- ❖ Need to acknowledge outstanding performance
- ❖ Don't treat measures as absolutes
- ❖ Avoid unintended consequences
- ❖ Balance measures for rewards

Feel Free to Contact Me

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