

A Consultant's View

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Managing Software Development

In the comic strip, Shoe, the IT person comes dressed in a wizard's hat and robe and waves a wand over the malfunctioning equipment. If you feel like that is what is happening in your IT department, you are not alone. Most people do not understand the IT department nor know how to manage it. The traditional management methods don't work but other methods do.

The traditional approach to managing people is to measure time in the office and the visible effort they are putting in. Unfortunately, those measurements are almost meaningless when dealing with software development. Software development is mostly a learning process and time or effort extended has very little to do with how much learning happened. Someone might put in a lot of effort but not be doing anything of value while someone else might appear to be slacking but actually accomplishing major designs. The result is that management may reward those not bringing value while top performers move on.

We need a way to measure IT action.

We see a similar problem with schools. Time in the classroom does not mean that children learn anything.

One measure is to use how much a customer will pay for an effort. However, customer value rarely matches the effort needed. How much a customer may value a result may have very little correlation to how much it

cost to develop.

School systems are struggling with how to properly evaluate teaching and learning. The best ways seem to be based on having good educators evaluate what a teacher is doing. Similarly, the sciences and some medical practices have taken to doing "peer reviews". The publisher of a science magazine doesn't know how to evaluate how good individual articles are. Instead, they rely on people in the field as reviewers who can say whether or not an article is any good.

Peer Review Offers New Insights

A peer review of an IT effort would need to cover several factors: How complex is the project? Does the complexity of the project match the customer's real needs? Does the

complexity of the project match what the customer is willing to pay to have this project done? How difficult is this customer to deal with? Are the IT people making good choices in tools, techniques, and approaches to solving this project?

Being in charge of an IT department while ignorant of how to manage them often leads to frustration and loss of valuable people. A common answer is to outsource the department. and let another organization manage them. The problem is that there are still not enough people who know technical and also can manage. A lot of "outsourcing" firms are nothing more than sales organizations who do not manage and who fill the place with unqualified people.

Peer review may be an important tool in properly managing an IT department or project.

Valuing Intellectual Work

As we shift from a manufacturing society to an intellectual work society, we are facing a deep problem. Our financial system was set up to properly value manufactured goods. It does not have a good way to value intellectual efforts. A shipment of manufactured goods are all valued the same. The value of intellectual efforts depend on not just what was done, but when it is done and who received it. It is this mismatch that partly fueled the crash in 2008.

Looking back at the crash, one of the key points was that many people assumed that these derivatives had equal value. That would be true in a manufacturing environment. However, in an intellectual environment, the value partly depends on who receives the result. In the case of the crash, the value kept decreasing as more people were receiving the derivatives yet the prices didn't fall together with the value. Until suddenly, the prices fell to match the value.

We are not properly pricing intellectual work such as the creation and selling of financial instruments. Many a Wall Street firm prices that intellectual work only on how much a person can sell instead of how much value they bring to the customer. That mismatch allows fraud after fraud to happen. Then, those who have defrauded customers get to move from firm to firm. It takes a serious offense to get someone barred from the field.

As more and more of our economy becomes based on intellectual efforts, we need a new way to value those intellectual efforts. This will take some time to properly develop and we will continue to have problems because of that mismatch.

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Risky World

As our electrical system becomes more and more interconnected, it is more likely to have a catastrophic failure rather than simple failure. One person suggests that we would do well to have failures more often to get ready. Places in India that have electrical outages 5 times a day have backup plans that work because they are tested regularly.

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