

Software Development has

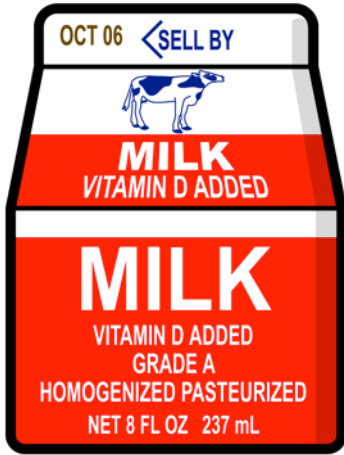
# DISECONOMIES of Scale

Not Economies of Scale

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Milk is cheapest  
in BIG cartons



Software is  
cheapest in  
lots of small  
cartons

And small cartons  
of software  
reduce risk

Big increases  
risk

Project A: Risk = 30% Value at risk = £1m  
Therefore risk weighted value = £300,000

Consider a large project

Prj B: Risk = 15%  
Value @ risk = £½m  
Therefore ... = £75,000

Prj C: Risk = 15%  
Value @ risk = £½m  
Therefore ... = £75,000

E: Risk = 6%  
@risk = £200k  
Therefore = £12k

F: Risk = 6%  
@risk = £200k  
Therefore = £12k

G: Risk = 6%  
@risk = £200k  
Therefore = £12k

H: Risk = 6%  
@risk = £200k  
Therefore = £12k

I: Risk = 6%  
@risk = £200k  
Therefore = £12k

# Software development...

- Does NOT have economies of Scale
- Development has DISECONOMIES of scale

Therefore

- Stop thinking **BIG**
- Start thinking SMALL



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