Quicker and Better Quality Improvement Business Cases with Bayesian Belief networks and Six Sigma

Software Engineering Institute
Carnegie Mellon University
Pittsburgh, PA 15213

Ben Linders, SEI Affiliate (Ericsson)
Bob Stoddard, Senior Member Tech Staff, SEI
E-SEPG: Monday June 11, 2007
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Introduction
Introduction

Quality improvement needed in many organizations

Business case required

- Identification of problem areas
- Selected improvement
- Quantified costs & benefits

Problem: No data available

- Measurement programs are costly
- Long lead time
Solution

Requirements

- Value/result driven
- Comprehensible, easy to use
- Objective & reliable
- Industry Standard Compatible (Benchmarking)
- Re-use best practices

Technologies

- Six Sigma
- GQIM, Balanced Scorecard
- Bayesian Belief Networks
- Cost of Quality, Root Cause Analysis
Two step approach

Quality Factor Model

- Expert opinion, extended with data
- Quick Quality Scan
- Rough Prediction Fault Slip Through
- Improvement Areas

Selected Improvement Model

- Data, tuned with expert opinion
- Detailed Prediction Fault Slip Through
- Improvement Business Case
Collaboration

**NL: Market Unit Northern Europe & Main R&D Center**

**R&D: Value Added Services**
- Strategic Product Management
- Product marketing & technical sales support
- Provisioning & total project management
- Development & maintenance
- Customization
- Supply & support

+/- 1300 employees, +/- 350 in R&D

**Modern Measurement Methods**
- Goal Driven Measurement
- Managing Projects with Metrics
- Measuring for Performance-Driven Improvement -I, -II
- Understanding CMMI High Maturity Practices
- Client Support & Research
- Training Development & Delivery

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Affiliate Assignment

Joint effort: Ericsson (Ben Linders) and SEI (Bob Stoddard)

- Time, money, materials
- Knowledge & experience

Deliverables Ericsson

- Defect data & benchmarks
- Improved decisions skills
- Business case & Strategy 2007:
  - Early phases: Improvements
  - Late test phases: Reduction

Research contribution

- Apply Six Sigma business cases
- Verify technology (CoQ, RBT, FST, etc)
DMAIC Roadmap

Define
- Define project scope
- Establish formal project

Measure
- Identify needed data
- Obtain data set
- Evaluate data quality
- Summarize & baseline data

Analyze
- Explore data
- Characterize process & problem
- Update improvement project scope & scale

Improve
- Identify possible solutions
- Select solution
- Implement (pilot as needed)
- Evaluate

Control
- Define control method
- Implement
- Document

Phase Exit Review

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The collaboration included an implementation of DMAIC to reduce Fault Slip Thru. This tutorial highlights the Analyze and Improve phase activities.

Define project scope & scale
Characterize process & problem
Update improvement project scope & scale
Identify possible solutions
Select solution
Implement (pilot as needed)
Evaluate

Define control method
Implement
Document

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Basic Statistical Prediction Models

- Continuous $Y$
- Discrete $Y$

Continuous $X$
- ANOVA
- & MANOVA

Discrete $X$
- Correlation
- & Regression

Chi-Square
- & Logit

Logistic Regression
We predict a range of escaped defect density for each type of quality check.
Example Regression Output

Regression Analysis: Defect Density versus ReqsVolatility, YearsDomainExperience

The regression equation is
Defect Density = 0.484 + 0.480 ReqsVolatility - 0.0242 YearsDomainExperience

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<th>Predictor</th>
<th>Coef</th>
<th>SE Coef</th>
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<td>ReqsVolatility</td>
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<td>0.09511</td>
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<td>YearsDomainExperience</td>
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<td>0.001941</td>
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\[ s = 0.00893207 \quad \text{R-Sq} = 85.9\% \quad \text{R-Sq(adj)} = 84.8\% \]

Analysis of Variance

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Use of Design of Experiments

Essentially a sophisticated method of sampling data to conclude relationships

Provides more confidence in possible cause-effect relationships

Enables us to define a small, efficient set of scenarios which we can then include in surveys of experts

Results help to populate relationships in the Bayesian Belief Network (BBN) model
Example of Design of Experiments

Welcome to Minitab, press F1 for help.

Fractional Factorial Design

Factors: 5  Base Design: 5, 8  Resolution: III
Runs: 8  Replicates: 1  Fraction: 1/4
Blocks: 1  Center pts (total): 0

* NOTE * Some main effects are confounded with two-way interactions.

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<th>C</th>
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Why Use Monte Carlo Simulation?

- Allows modeling of variables that are uncertain (e.g. put in a range of values instead of a single value)
- Enables more accurate sensitivity analysis
- Analyzes simultaneous effects of many different uncertain variables (e.g. more realistic)
- Eases audience buy-in and acceptance of modeling because their values for the uncertain variables are included in the analysis
- Provides a basis for confidence in a model output (e.g. supports risk management)
- “All Models are wrong, some are useful” – increases usefulness of the model in predicting outcomes
Crystal Ball uses a random number generator to select values for A and B.

Crystal Ball then allows the user to analyze and interpret the final distribution of C!

Crystal Ball causes Excel to recalculate all cells, and then it saves off the different results for C!
Why Use Optimization Modeling?

Partners with Monte Carlo simulation to automate tens of thousands of “what-ifs” to determine the best or optimal solution

Best solution determined via model guidance on what decisions to make

Easy to use by practitioners without tedious hours using analytical methods

Uses state-of-the-art algorithms for confidently finding optimal solutions

Supports decision making in situations in which significant resources, costs, or revenues are at stake
Several Example Tools

@RISK

The world's most powerful risk analysis tool. Take into account all possible scenarios using Monte Carlo simulation. Work directly in Excel, create presentation-quality graphs, use distribution fitting, and more!

@RISK for Project

Analyze cost and schedule risks in Microsoft Project using Monte Carlo simulation.
- STANDARD
- PROFESSIONAL
A Bayesian network is a probabilistic graphical model, also known as a Bayesian Belief Network (BBN) or belief network.

A Bayesian network is represented by a graph, in which the nodes of the graph represent variables, and the edges represent conditional dependencies.

The joint probability distribution of the variables is specified by the network's graph structure. The graph structure of a Bayesian network leads to models that are easy to interpret, and to efficient learning and inference algorithms.

From Wikipedia, the free encyclopedia
Nodes can represent any kind of variable, be it a measured parameter, a latent variable, or a hypothesis. They are not restricted to representing random variables; this is what is "Bayesian" about a Bayesian network.

Bayesian networks may be used to diagnose and explain why an outcome happened, or they may be used to predict outcomes based on insight to one or more factors.

From Wikipedia, the free encyclopedia
Example of Bayesian Belief Model

STEP 1:
Develop a model that depicts leading indicator nodes and/or root cause nodes for each node to be predicted. In this diagram, the flow is from left to right and thus, each child node (nodes with incoming lines) may be predicted with the parent nodes (nodes sending a line to a child node).

STEP 2:
Model the relationship between each “child” node and the associated “parent” nodes for the child using:

Regression & ANOVA with Objective Data Design of Experiments with Subjective Data
Examples of BBN Tools

“AGENARISK”  http://www.agena.co.uk/

“NETICA”  http://www.norsys.com/

“HUGIN”  http://www.hugin.com/
Exercise 1
Defect Modeling
History Defect Modeling

2001

- Defect Model defined, pilot in first project

2002/2003

- Improved based on project feedback
- First release quality predictions
- Industrialize model/tool, use in all major projects

2004/2005

- Targets: Project portfolio management
- Process Performance & Cost of Quality

2006/2007

- Process Improvement Business Cases
  SW Engineering Economics, Six Sigma
- Fault Slip Through reduction
Project Defect Model

Why?

- to control quality of the product during development
- improve development/inspection/test processes

Business Value:

- Improved Quality
- Early risks signals
- Better plans & tracking
- Lower maintenance
- Save time and costs
- Happy customers!
Process Performance

Project Data

- Insertion Rates
- Detection Rates
- Defect Distribution
- Fault Slip Through
- Post Release Defects

Process View

- Performance of design & test processes
- Benchmarking
- Best Practices & Improvement Areas
Main value to gain:

- Increase appraisal effectiveness
- Decrease failure costs

Improve performance & Invest in Prevention

- Cost determinators, and their results
- Relationships between cost categories (ROI)
Increase Value
Business Cases
Decision Aids

Figure 1: Roadmap for research in software engineering economics.
Economic Model

Understand the costs of defects
Link process & project performance
Dialog between managers & developers
Use available operational data
Manage under uncertainty & incomplete data

Technologies

• Cost of Quality
• Bayesian Belief Networks
• Real Options
• Lean Six Sigma
Step 1a: Quality Factor Model

Bayesian Belief Network

- Phases
- Quality Factors
- Expert opinion
- Prediction of Quality Impact

Managerial: Line, project & Process Management

Technical: Requirements, Design, Implementation, Inspection, Test
Step 1b: Prediction of Fault Slip Through
Step 2: Selected Improvement Model

See ongoing discussion on modeling.
Exercise: Predict Fault Slip Through
Conclusions

Benefits

• Quicker decisions improvement scope

• Better Business Case ????

• Our six sigma approach, which combined subjective and objective data quantified in a Bayesian Belief Network Model (BBN), along with a business benefit Monte Carlo simulation using Design of Experiment methods, is a practical and efficient approach to derive a solid business case in a short timeframe. It also helps to prioritize improvements based on the expected value for the business, which will lead to a quick return on investment.
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