Exception Processing and Workflow Management

Making the Right Decisions
Overview
Exception Processing and Workflow Management

The “Search For STP”
Demand for increased efficiency and lower unit costs is stronger today than ever. With profit margins constantly being eroded the spotlight shines even more on initiatives that improve cost/efficiency ratios such as straight through processing. Within this context, making the right Exception Processing and Workflow Management decisions is vital if efforts to improve efficiency don’t turn out to be counterproductive in the long run.

This is no less so in the Financial Services industry where terms like ‘Straight Through’ and ‘Exception’ processing have been ingrained into the everyday language of Operations Managers for many years now. In this all-consuming and constant search for Straight Through Processing (STP) perfection, are Operations Managers making the right decisions for the businesses that they support?

• Are STP and Exception Processing/Workflow Management solutions being deployed in the right areas and in the best ways?
• Is there a mindset and culture that encourages a continuous improvement approach to STP?
• Are Operations areas sacrificing control and just as importantly service quality to their Front Office clients?

This paper discusses the steps necessary to ensure that STP is delivered as effectively and efficiently as possible. Installation of the right Exception Processing and Workflow Management capabilities will ensure maximisation of STP without compromising process or service quality and Control.

Figure 1: Workflow Management Lifecycle
Process Standardisation
A Stepping Stone to Industrialisation

Make No Exceptions…

Current trends however are to look at process standardisation across the whole of an organisation, creating processing capabilities on an Industrial scale. Industrialisation of processing capabilities across significant global businesses creates big pieces of machinery – appropriate design and programming of this machinery is critical to ensure optimisation of exception processing and achievement of the highest levels of STP.

Poor and or untimely management of exception items creates inefficiencies but can also lead to control problems with the potential for financial losses – it will certainly lead to service quality degradation and ultimately an unhappy customer, either your front office client or the ultimate end consumer of the Bank’s products.

Process standardisation within Financial Services organisations is nothing new. Indeed it is pretty much the raison d’être of any true Operations Management Professional; who should constantly be looking for continuous improvement and increased efficiency opportunities. Process standardisation allows commoditisation and becomes an enabler for increasing levels of automation – this in turn reduces people dependency and any associated risk. Within the Financial Services industry and Banks in particular, process standardisation has tended to stay within various Operating Divisions of an organisation such as Retail, Corporate, or Investment Banking; and hasn’t transcended across the separate areas.
Managing the Workflow

The Criteria is Critical

Straight Through Processing is about establishing a Standardised process that lends itself to automation, and ultimately industrialisation. The nirvana is to create the ultimate ‘look no hands’ processing capability. There will always be exceptions to the rule however - work items that need some form of attention or amendment before they can move further along the production line.

The criteria used for identifying, prioritising, and allocating workflow items is of course critical. The rule sets established will essentially drive the decision making process for the whole workflow management solution – when is an item an exception? (are there items that can be automatically ‘fixed’?) What makes a work item more or less important than another item? Which items should be presented for general processing as opposed to items that are close to critical deadlines and need priority senior management attention?

| 1. Identify | • A workflow management system must capture accurately all exception items that require an action from operations.  
|             | • Exception Items will be generated by the source systems that control the operational process. |
| 2. Prioritise | • Prioritisation of exception items ensures that operations staff can focus on the most appropriate tasks in order to meet agreed service levels.  
|             | • Standard business rules will be embedded in the system with manual overrides available to manage exceptional business events. |
| 3. Allocate | • Allocation covers the initial allocation of an exception item to a user or group and any subsequent re-allocation or escalation to a different user or group in order to complete that task.  
|             | • Allocation can include individual users taking ownership of group allocated tasks, or automated system allocation using rules based on task attributes such as type, priority, age, etc. |
| 4. Resolve/Clear | • Exception items should be resolved and cleared in the source system and this should be automatically reflected in the workflow management system. |

Figure 2: Identification of Expectations
Real Time Dashboard Reporting

The increasing ability to process larger volumes with reducing staff numbers is a natural consequence of higher automation, increasing levels of STP, standardisation and industrialisation. If there isn’t a need, why touch a transaction at all? Less human interaction means less likelihood of error. (‘to err is human’). The day has yet to come however when machines take over the whole process - Human oversight is still an essential requirement to avoid process or control breakdowns. Real time dashboard reporting provides immediate and real time updates to management of the status of key work processes, including urgent work items that require attention.

In today’s working environment dashboards must be real time, and the ability to drill down to work areas or individual work items is a must if Managers are to make the correct decisions in prioritising and allocating workload amongst their teams. Dashboards must be meaningful and realistic. Rather like a pilot flying an aeroplane, if all the warning lights in his cockpit are red, or there is a light that is constantly red but ‘isn’t anything to worry about’, how does the pilot know that he has an issue that requires serious and immediate attention? The same applies to any form of business processing – dashboards must be manageable and exception workloads must be a proper and realistic reflection of key control, risk and service delivery processing requirements.
Exception Management and Workflow Management Solutions

Making the Most of Exception Processing & Workflow Management Capabilities

Exception Processing and Workflow Management system solutions require access to source processing systems and by definition can act as a gateway to all trading and related activities of the company. The use of Exception Management and Workflow Management solutions should not be restricted to workflow processing alone.

An exception could just as easily be an outstanding aged control break or an upcoming breach of risk trading limits. Likewise an exception could be an item that is close to or has missed a service delivery deadline, or notification of process capacity limits being exceeded.

Figure 3: Where Can Exception Processing/Workflow Management Tools add value?
Conclusion

Management Information and Reporting

A key output of any Exception Processing or Workflow Management solution is pertinent Management Information. Good quality Management Reporting is an essential pre-requisite in order to analyse the effectiveness of the process itself. Are the tolerance criteria for exceptions set too high or too low? Where are the process breakdown hotspots in terms of exceptions being created and what is their root cause? Is the ability to resolve exceptions being compromised by poor quality processing capabilities?

Choosing the Right Solution

There are many Exception Processing and Workflow Management system vendors in today’s market place. Choosing the right one means ensuring that your solution choice is fit for purpose and just as importantly is appropriately designed and configured to deliver best value for your business process. There is no ‘one size fits all’ solution and making the right decisions can make or break the effectiveness of your Exception Processing and Workflow Management capability.

Elix-IRR are Uniquely Qualified to aid your Decision Making Process

- We have amongst our ranks deep expertise from within the financial services sector with experience of influencing large diverse organisations
- We devise and implement programmes of work that measure, change, and deliver sustainable process improvements
- Our ‘SME’s’ have many years experience of Exception Processing and Workflow Management from tier 1 Financial Services organisations
- Our depth of consulting skills and analytical capabilities ensure a structured and uncomplicated approach
- We are able to provide an independent and unbiased view that cuts through internal politics and helps organisations make the right decisions.
About Elix-IRR:

Elix-IRR is a strategic advisory firm specialising in all forms of transformation, change, operating models and sourcing strategies. It is comprised of senior professionals from consulting and services firms such as McKinsey, Deloitte, IBM and Accenture, as well as experienced practitioners from industry.

We provide practical, pragmatic advice that leads to real results.

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