

Concepts...



"Concepts" is published by Parvidya Design Partners to raise as many questions as it answers. It is driven by the belief that the industry, its products and its services are ever evolving. The ideas reflect the challenges faced in the continuous journey of innovation and improvement.

Self Correcting Processes:

It is always tough to start with the assumption that errors will be made. Often, processes are only designed on the basis of their working correctly. Not allowing for the many errors or exceptions that can occur creates a great deal of re-work and inefficiency as problems are solved "on the fly". A process has to be designed as self correcting or the errors and exceptions that occur will become a large part of your work effort and expense, where none was expected.

When you drive a car, you may have noticed that the steering wheel will automatically straighten having turned a corner. Just as gravity is the reason that all things fall down, the "caster angle" in a car's steering system means the wheels on a car are slightly "toe-in", which creates a force to naturally straighten the wheels by creating a greater force inward on the side to which the wheels are turned. This means the driver *only* has to be concerned with *not* driving straight (i.e. turning) with respect to steering and the task is made easier.

Another example of error correction is the trip light or pressure sensor on a powered garage door which prevents it fouling or damaging any object in its path. An even simpler example is the "overflow" in a sink; a simple preventative measure that avoids a wet disaster. However, as anyone, unfortunate enough to have left a faucet running can attest from experience, the overflows can not be designed for the higher water pressures of some households and the overflow only delays but does not prevent the disaster. Even correcting processes need a considered design to work as they are intended.

Within the financial services, the key to creating a self correcting process is in the identification of known potential issues and creating the means to escalate and correct a problem. With a pricing feed, alternate vendors may be used in defined hierarchies. Controls can be used to identify missing prices or large price swings. Within a reconciliation process, near matches or probable matches can be identified as a specialized extension of the general matching process. For data transfer and posting applications there can be integrity checks but, again, there is an opportunity to identify possible solutions for less than perfect data.

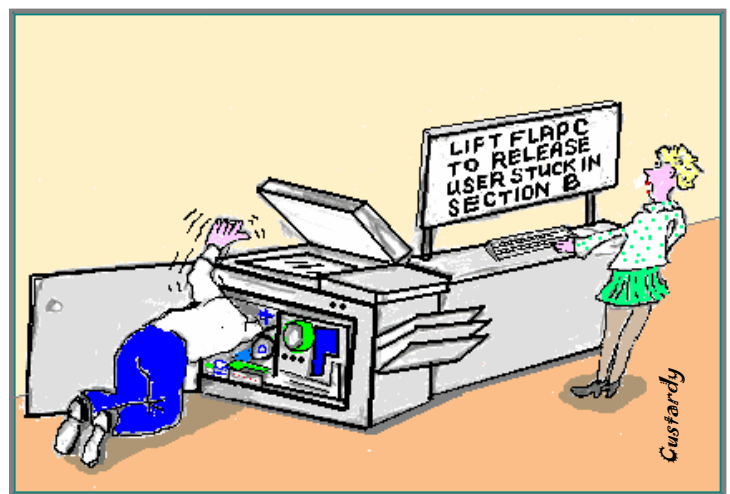
The consistent theme is the consistency of the processes. Ultimately, most processes are built around logical rules and so have a finite set of good and bad results, which can be predicted. The error prediction analysis phase may sometimes be skipped for the sake of a project launch date

and long term efficiency of the process may suffer because of that. Problems and their corrective responses have to be learned over time and separate from the process. The potential errors of a new process, however, may be predicted through scenario planning and the errors of a current process can be identified by historical analysis.

The manufacturing industry, for many years, has used "smart" systems to capture many of the rules required to offer advice to system users or machine operators. The systems succeed by being integrated into a process and, through a disciplined approach, capture errors, causes and corrective or preventative actions. Similar to an experienced worker, they become an invaluable source of process *data* and *understanding* while helping resolve esoteric problems as they occur. There could be much speculation as to why these systems have not migrated in their use from industry to the financial services but then again, six sigma - only recently implemented - has been actively embraced by industry for over twenty years and its origins date from a quality practice introduced to the Japanese after WWII by an American.

The goal of any good process design should be to include a component, which predicts potential exceptions and incorporates their identification and resolution as an integrated part of the process itself.

Parvidya Design Partners would be pleased to discuss the realization of these concepts with you further. We thank you for your consideration.



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