Business-to-Business Credit Approval Process

EXERCISE 1

Purpose
Today, you will analyze **Golden Leaf Tea's (GLT)** current credit approval system—its process, the data it uses, and the business rules it follows. The goal is to find weaknesses and suggest improvements.

Current Systems

- **Order Entry Portal (OEP)** – Only Customer Service Representatives (CSRs) can enter orders. The CSR only needs to enter their password once a day and has unlimited access.
- **Credit Management Database (CMD)** – Only credit analysts can edit; CSRs receive a **monthly spreadsheet** showing each customer's approved credit.
- **Email** – Used for almost every approval step.
- **Shared Network Drive** – Used to save scanned forms and email copies.

Current Process

1. **Customer Places Order**
   - Customer contacts a CSR and requests to buy on credit.
2. **New Customer Credit Setup**
   - CSR fills out a **Credit Request Sheet (CRS)** and emails it to a credit analyst.
   - The analyst checks external credit ratings and proposes a starting credit limit.
   - If the limit is above $15,000, the analyst forwards it to the **Regional Sales Manager** for sign-off, as required by company policy.
   - Once approved, the analyst enters the limit into the CMD and emails the CSR.
   - The CSR then enters the order in the OEP if it is within the credit limit. Otherwise, the customer must pay cash.
   - If not approved, the CSR notifies the customer via email. There is a "recommended" waiting period of 60 business days before re-applying, but some CSRs forget to mention this.
3. **Existing Customer – Order Within Limit**
   - If the order total is below the current credit limit, the CSR enters it directly in the OEP.
4. **Existing Customer – Order Above Limit**
   - The customer can either pay the difference in cash by going to an office or request a **credit extension**.
5. **Credit Extension Process**
   - CSR completes a new CRS and emails it to a credit analyst.

    - The analyst reviews payment history, buying patterns, and any updated external credit data, then recommends one of three options to the CSR:
        - **Grant**: Extension up to **25%** of the original credit limit. CSR emails the salesperson for business approval.
        - **Consider**: Extension between **30%–70%** of the original limit. CSR emails the **Regional Sales Manager** for approval.
        - **Decline**: No extension. CSR must notify the customer and copy both the salesperson and the Regional Sales Manager.
    - All requests, emails, and approvals are printed, signed, and filed in a **physical customer credit folder** kept in the finance office.
6. **Monitoring & Recordkeeping**
    - GLT tracks overall performance by watching its **Days Sales Outstanding (DSO)** and by reviewing the recommendations of each credit analyst.
    - Regulations require that all approval documentation be retained for **four years**. Some competitors have already moved to a **five-year retention** policy, but GLT has not updated its rules.

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(1) Your task today is to document the current process to create a swimlane diagram and determine any <u>**inefficiencies**</u> that exist. (2)You should also look to identify what are the business objectives that GLT wants to reasonably ensure that the credit-approval process achieves.