
Beyond Procurement: P-Cards Meet Progress and Possibilities

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As with any business, banks and other financial institutions must listen closely to customer needs. P-card providers must understand each customer organization's business, budgetary pressures, and ways to make the buying and selling procedure simpler, more efficient and, above all else, economical.

More specifically, innovation and technology can help p-card providers become much more – they can make the transition from card issuer to business partner. While thinking “outside the box” might be a tired phrase, it's appropriate when it comes to satisfying a customer. And it's often necessary. When card issuers are creative and devise ways to assist clients beyond the traditional banking relationship, they create real value, even beyond the balance sheets.

When a bank and its customers invest the time to understand each other's business, it's an opportunity for the “p” in p-card to stand not for procurement but for progress and possibilities.

Governments at all levels are running themselves more like businesses and using innovation in order to meet very similar challenges when it comes to budgets, workforce and cash flow. Public sector entities need to be forward thinking to run efficiently, and to attract and retain top talent. In essence, each public sector entity competes with corporations for top talent, making each employee incentive important.

In 2005, the Province of Alberta created an innovative program to address that very issue. The Alberta Employee Learning & Wellness Benefit program offers employees a \$500 annual benefit to purchase items, memberships, or courses that will enhance their professional development, health or personal wellness. Under the existing program, employees can purchase gym memberships, education courses, tuition, text books, exercise equipment and even personal computers, among other things. They

then submit their receipts for reimbursement and their purchases are reviewed for approval.

“The idea behind the program is simple,” explained Duncan Campbell, the Chief Financial Officer of Alberta Employment, Immigration and Industry (EII). “If we invest in our employees' well-being, we get healthier, happier employees.” Asked about return on investment, impact on health costs and productivity, his reply wasn't unexpected.

“We can try to measure those things and I suspect we'll see positive things, but that is all secondary to having healthy happy employees.” In other words, the end justifies the means — but the means also need to be tracked and processed efficiently in order for the province to get the ROI it needs to continue a popular benefit to employees. This is where a p-card program can help significantly.

Before implementing a p-card program, the Ministry had about 80 percent of its employees participate by making at least one qualifying purchase during the year. Despite this successful participation rate, EII sought improvements to the program.

Because Alberta has that critical business sense, they were open to innovations in p-card programs. When the province's Ministry of Employment, Immigration and Industry learned of the latest p-card technology and innovation – as applied in many business settings – they immediately recognized that the Learning & Wellness Benefit program could be enhanced. Earlier this year, we formally began the pilot program using p-card technology in their Learning and Wellness program.

Under the original program, employees had to first use their own money to buy memberships or other qualifying items, then submit receipts for reimbursement. This process was an annoyance to some employees and served as a disincentive to



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participation in the program. Though four out of five employees did participate to some degree, many were not getting involved or underutilizing the benefit.

To boost participation, BMO and the Ministry created credit cards with a declining \$500 balance that cannot be refreshed. The card would be issued to each employee each April to spend on appropriate learning and wellness transactions. The only restriction would be an inability to use the card for cash advances. To mitigate risk, the province conducts sample audits and, when appropriate, asks for employee reimbursement if the card is used for an item that is considered inappropriate.

While the prospect of giving government employees \$500 on a credit card with potentially less oversight might scare procurement officers – and taxpayers – the pilot program has yielded some surprising and significant benefits. Employees are showing their managers new possibilities through innovations of their own.

Among the surprising twists:

- **Creative spending.** Previously, employees were given a list of pre-approved expenses on which they could apply their \$500. Typically such lists are generated and seldom edited. So employees who might have been limited to gym memberships and aerobic classes are now applying their Wellness and Learning dollars to yoga classes, holistic health programs and Mandarin Chinese language lessons. “We will of course review expenses and continue to question charges that are unclear but, so far, we

have employee input in what they find makes them healthier, smarter and happier through their purchases, thereby improving this program,” said Shafana Mitha, Manager of Financial Processes for the Ministry.

- **Increased morale through entitlement.** Something as simple as trust can go a long way. While some may fear shopping sprees and inappropriate purchases, so far employees have responded with very few questionable buys. “There is something powerful in handing an employee a credit card at the beginning of the year, telling them to spend \$500 to improve themselves in some way and giving them a pat on the back,” Campbell said. “We’ve been thrilled to hear that employees are feeling empowered and are responding with responsible decision-making.” In many ways, this benefit is the greatest one because it perfectly encompasses the Alberta Public Service’s Visions and Values, which include “Respect, Accountability, Integrity, and Excellence.” Any program that perfectly matches the missions of an organization tend to yield greater than expected benefits.
- **Greater awareness of the program.** Because each card is branded with the Wellness and Learning logo, it can be an almost daily reminder to most employees of that trust and investment their employer has made in them.

Innovation and technology are revealing these hidden benefits, as well as other traditional features of p-cards in the public sector.

Alberta officials are focused on the pre-paid card aspect of the Employee Learning & Wellness Benefit program, but are keeping an eye on the future.

“Whenever you look at any government transactions where money is coming in or going out, it is important to fully review that process to see if you can do it better and more efficiently,” said Shafana Mitha,



the financial processes manager. “This program and other innovations have given us new and exciting ways to see the technology potential in the p-card arena.”

Among the key traditional benefits governments realize in p-card programs, which should be considered whenever possible, are:

- **Cost control.** KPMG Research reported in 2005 that “expanding p-card programs can save organizations up to 75 percent in process costs.” While saving money in corporations is critical, any additional efficiencies that can be gained in the private sector are doubly important.
- **Better oversight of project costs, in real-time.** The notion of government projects sneaking – or soaring – over budget is nothing new. But if purchases are mandated or encouraged through a p-card program, early forecasting of budget overruns most often result.
- **Electronic record keeping better manages expenditures.** The paper model, with its slower pace, can often cloud what is being spent on a project or within a budget. Because budgets are broken down by line item, category and sub-categories, keeping a clear picture of all appropriate, and inappropriate, expenditures is critical.
- **Quicker cycle time.** Purchasing card use results in a 68 percent reduction in pro-

urement cycle time and a 32 percent decrease in the number of suppliers in the account payable files of organizations.

- **Greater detail.** P-card programs provide extensive data on each purchase, compared to receipt- and paper-based systems that do not give many details beyond cost, time and place of transaction. Making better budget decisions and detailed analysis of spending and procurement requires a greater level of data.
- **Improved supplier relationships.** More data and greater analysis brings buyers and suppliers closer together, while giving the p-card user greater leverage in negotiations. Organizations can reduce the number of suppliers through a best practice purchasing card program and increased leverage through fast and efficient settlement.

On the surface, learning and wellness have nothing to do with procurement or credit cards. But when innovative minds in the public sector and financial institutions have open lines of communication and invest time to learn each others’ business, true progress and possibilities emerge. As technology continues its amazing slope, this type of innovation can be realized for numerous government programs, helping the public sector run just as well – or in some cases better – than top corporations. ♣