

The difference between Business Process Outsourcing and Temporary Employment Services



Knowing the difference between Business Process Outsourcing and Temporary Employment Services may give your business the agility it needs to thrive in today's economy

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For many businesses, the post-Covid world has highlighted the benefits of outsourcing at least as part of their workforce. However, confusion creeps in when it comes to the difference between Temporary Employment Services (TES) and Business Process Outsourcing (BPO). Often, they are perceived as being the same, or at least similar, which causes consternation around the cost differences. In reality, though, they are distinctly different services, and while both have their place and they can often work together, BPO can add significant value by allowing businesses to tightly focus on their core competencies.

People versus process

The most obvious difference between TES and BPO is people versus process. TES procures and provides both temporary and permanent staff (despite the name) to organisations. These staff may fulfil a variety of roles within a business, but the TES provider will take on much of the administration of staffing. This includes verifying and vetting staff, necessary training, as well as responsibilities such as payroll and benefits.

BPO is about outsourcing entire processes and is an outcomes-based offering that includes not just staffing, but also systems, management and, importantly, knowledge and skills to optimise processes. In order to manage non-core functions that are nevertheless essential to operations BPO is often used. It

is where businesses may be struggling with productivity and performance, as well as personnel problems like absenteeism and union actions where it is likely to be used. This moves a fixed cost to a variable cost that is based entirely on requirements and performance, allowing organisations to focus on their core business rather than peripheral functions.

More than just outsourced labour

BPO is about so much more than just outsourcing the labour component, as it incorporates the extensive knowledge and experience of the BPO team, as well as systems, management, process optimisation and more. BPO suppliers also take on a significant risk percentage, since the full service includes equipment, insurance claims and more. In addition, since BPO is entirely based on outcomes, it is a highly cost-effective solution.

With BPO, the only concern for the business is the desired output. The real differentiator is the knowledge the BPO provider brings to the table, as businesses can access professional teams and industry experts to render effective services. For example, in a warehousing environment, a BPO provider will examine production capacity versus actual production output and determine where inefficiencies exist. This requires many specialisations, such as process engineering, industrial psychology, and data analytics, which may not exist as in-house skills.

The International Organisation for Standardisation (ISO) 9001 defines the need for continuous improvement in operations, however, for non-core aspects, most businesses simply do not have the time or ability to focus to this degree. BPO enables businesses to efficiently manage processes and continuously optimise them and enhance resource utilisation in a cost-effective way. It also helps businesses to reduce wastage and reduce input costs, which directly improves profitability – a one percent reduction in cost is directly correlated with a one percent boost in profitability.

The benefits of BPO

BPO is designed at core to increase efficiency and output and provide goal-driven results. This facilitates ongoing and continuous improvement, by focusing on performance and not just head count. Through process improvements and re-engineering, both administrative and production costs can be optimised. In addition, since BPO is linked to performance output, customers only pay for the services they need, when they need them.

With day-to-day non-core operations taken care of, non-value adding workloads can be significantly reduced. This means management teams are empowered to spend more time building the company's core business and enhancing the quality of products and services. In turn, this leads to further business growth and enhanced competitive advantage, as well as increased revenue and improved customer satisfaction.

Flexibility and scalability are particularly important in today's economy, and BPO enables services to adapt quickly to changing requirements. Processes are no longer fixed costs, and customers pay only

for what they need, allowing more capacity during peak demand and downscaling when required outputs are reduced. BPO also enables improved risk mitigation, including labour risk as well as health and safety requirements.

A place for both, but different use cases

TES providers offer a flexible and scalable workforce for general functions, and they can be hugely beneficial to businesses that have variable labour requirements. BPO suppliers may also make use of TES to bolster workforces should this be necessary and acceptable to the customer. The important thing is to partner with a reputable provider in all cases.

When it comes to choosing a BPO provider, the supplier needs to be financially sound, with investment into sourcing, equipment, staff, and appropriate insurances. Providers should also be compliant with all applicable legislation and governance, with a national footprint and an agile service. Regular meetings are crucial for continuous improvement purposes, and providers should have the relevant depth and breadth of specialists and expertise. The provider should also offer systems that interface effectively with their customers' systems, to manage functions and business solutions effectively. Ultimately, businesses need to have confidence that their BPO supplier can provide the services required. This is a relationship of mutual trust, a long-term exercise which means that consistency is key to developing continuous improvement of systems and processes.