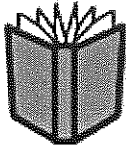
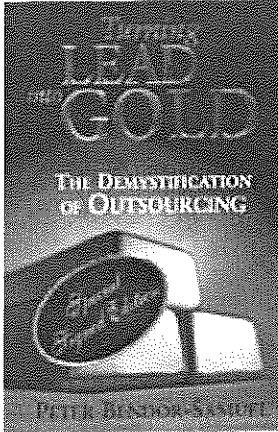


Books: Turning Lead into Gold



Turning Lead into Gold: The Demystification of Outsourcing by Peter Bendor-Samuel 2000. Executive Excellence Publishing reviewed by **Michael Mainelli**, Director, Z/Yen Limited



A tired metaphor, but hardly a tiring book. Peter Bendor-Samuel's review of outsourcing is an easy read and, in many ways, a refreshing reminder that there is so much to be gained through innovative outsourcing. Although the metaphor of getting rid of dead weight might be more appropriate (the author does not examine the value creation potential of some outsourcing spin-outs such as IBM/Procord or DERA/Comax), the author does provide a quick overview for busy executives who haven't really looked at outsourcing before.

As a former executive with EDS, Bendor-Samuel shows outsourcing from both sides, the side of the buyer and the side of the provider. Bendor-Samuel had a strong commercial motivation to write this book as CEO of the Outsourcing Center which publishes the Outsourcing Journal. At times, the commercial interests slip out, e.g. "it's certainly worth getting expert advice from a knowledgeable outsider like the Everest Group" (the Outsourcing Center's consulting group no less). At other times, the breathless nature of the book seems to have rushed into the editing, e.g. diagram descriptions in the text do not always match the labels on the diagrams. More thorough editing might also have eliminated apparent contradictions such as in one section pointing out that outsourcing partners are NOT "bound like a marriage" but later stating that the "relationship works much like a good marriage".

"Turning Lead into Gold" is a short book, despite the page count. Its North American origins show in the enthusiasm and the positive attitude, but also in the jargon and the terminology. The author does try to take an international perspective including examples of the Rolls-Royce/EDS contract as well as the Kellwood/EDS contract, but on the whole the examples are from the USA. One key lesson which Bendor-Samuel makes is the importance of establishing a long-term relationship while using short-term contracts. He stresses this lesson, explaining away some of the typical objections, e.g. need for a long-term contract in order to make it profitable for the outsourcer. Bendor-Samuel also emphasises the key role of pricing in establishing a mutually beneficial relationship. He is scathing about "open-book" pricing and cost bundling and many of his reasons are valid.

Another lesson which the author stresses is the importance of metrics. Unfortunately, this topic did not get the time it deserved. Bendor-Samuel does cover some of the dichotomies, e.g. "forensic" versus "proactive", or "diagnostic" versus "business-oriented". While touching on service levels and the challenges of measuring, few concrete examples are given. Moreover, there is no overall metric framework or detailed example which gives a reader a feel for the complexity inherent in measurement. Some of the interesting European contracts where up to 50% of reward is based on measuring IT or facilities through "customer at the desk" satisfaction appear to be absent from North American thinking.

The author also misses a few lessons which some of his examples hint at,

e.g. the importance of recognising the difference between an established, well-defined outsourcing service widely available in the markets (say cleaning) and more tailored strategic relationships (say specialist laboratory services). These are two distinct types of outsourcing, typically requiring different styles and even contracts. He also skims the deep discussions surrounding core and non-core, the complexity of fixed and variable cost calculations, as well as the importance of competition in determining outsourcing purchases and sales.

The author is clearly a fervent believer in the power of outsourcing, to the point of strongly reminding this reviewer of Koestler's closed belief systems. 'Closed systems' have three main peculiarities. First, they claim to represent a truth of universal validity which explains everything. Secondly, the system "cannot be refuted by the evidence, because all potentially damaging data are automatically processed and reinterpreted to make them fit the expected pattern". Thirdly, criticism is invalidated by shifting the argument to the motivation of the critic. Koestler provides an example of a closed system from the orthodox Freudian school of psychoanalysis. "...if you argued that for such and such reasons you doubted the existence of the so-called castration complex, the Freudian's prompt answer was that your argument betrayed an unconscious resistance indicating that you yourself have a castration complex; you were caught in a vicious circle" [Arthur Koestler, "The Ghost in the Machine", Penguin Books Ltd, 1967, pages 263-264]. The closed belief system comes across most strongly when discussing outsourcing failures, i.e. they were not really proper outsourcing contracts anyway, or core activities, e.g. "the buyer may outsource important, even strategic, functions; but it comes as a result of the buyer's management team having decided that it will focus on functions that are more core to the company's essential reason to exist."

"Turning Lead into Gold" is not a book which will educate an outsourcing provider, nor will an already savvy purchaser learn much. This book is likely to be of most use as a corporate gift from an outsourcing provider to a novice buyer. If the novice buyer reads "Turning Lead into Gold", their first joint conversation is likely to be inspired by the upbeat tone of the book. The novice buyer may not have learned much, but the provider might just push a sale.

Michael Mainelli is a Director of Z/Yen Limited, the UK's leading risk/reward management firm, and a non-Executive Director of CityAxis, a Design-Manage-Construct firm. Michael was a partner in one of the large accountancy firms dealing with outsourcing and a former director of one of the UK's largest commercial outsourcing companies. Z/Yen is heavily involved in facilities management and outsourcing, and has advised organisations in many of the Europe's largest outsourcing deals, at times for buyers and other times for suppliers. Z/Yen provides strategy, systems, organisational, benchmarking and commercialisation solutions to improve performance. Michael's humorous risk/reward management novel, "Clean Business Cuisine: Now and Z/Yen", written with Ian Harris, was published by Millet in 2000.

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