

**Testimony of Paul R. Lawrence before the Commercial Activities Panel  
June 11, 2001**

My name is Paul Lawrence. I am a Partner at PricewaterhouseCoopers, the world's largest professional services firm. At PwC, we assist many of the largest and most prestigious companies. As part of this assistance, we are knowledgeable of their outsourcing activities. In addition, I have a Ph.D. in Economics.

My purpose is to provide a perspective on outsourcing from the private sector. Let me provide five observations:

1. Companies outsource often – Private sector companies decide which skills and functions they need to possess in order to be effective and differentiate themselves in the marketplace. They tend to keep these skills and functions in-house. These are often referred to as core competencies. Other skills and functions, which are not key, are provided by other organizations. This outsourcing is a frequent and common occurrence in the private sector. There is much to be learned from their experiences.
2. PwC outsources some of its functions – Following exactly this model, we outsource our HR benefits administration, real estate management, and travel management, to name a few. These functions are not key to our success. We have found companies that specialize in the subject matter and the management skills to provide these services. Our perspective is based, in part, on this experience.
3. PwC provides outsourcing services – Similarly, we provide outsourcing to our clients in financial management and reporting, application maintenance, web-hosting, and on-line learning, for example. We have found that companies are comfortable having another firm provide these services instead of building and maintaining their own capability. Our perspective is also based on our experience as a provider of outsourced services.
4. Effective management of outsourcing arrangements is common – In the private sector, much knowledge has been accumulated on how to interact with the provider of outsourced services. Two areas are key: program management skills and the implementation of Service Level Agreements. Strong capabilities in these areas are correlated with a company's success in outsourcing its functions.
5. Outsourcing can be part of the solution to the Human Capital crisis – We envision that outsourcing will be part of the solution to the Federal Government's Human Capital crisis. As an agency defines what skills and functions are truly key to meeting its mission, it should be able to outsource non-key functions.

Testimony of Paul R. Lawrence  
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Page 2 of 2

Government's limited management time can then be spent ensuring the key employees are trained and lead effective.

Thank you for inviting my comments. I will be glad to answer any questions.