Global Business Services Index Annual Report 2024

# Built Environment Services

November 2024



# Foreword

## Since taking on the role of leading PwC's Global Business Services industry, I have been amazed to discover fully what a diverse, inventive and resilient industry this is.

For PwC, Business Services represents one of the largest global industries, and our fastest growing. We have over 45,000 clients in more than 50 countries, and are ourselves a constituent of a global industry which is growing at an average of about 8% per annum.

The economic and social impact of this industry is staggering. It employs more than 1 billion people worldwide and many of its constituents are the glue which binds broader industrial ecosystems and societies together. From legal advice to logistics, catering to security, harnessing AI to supporting education, delivering sustainability to testing for health and safety, business services firms fulfil a vital role in all our economic futures.

Despite its importance, we have found the business services industry to be generally understated and under-profiled in thought leadership and research.

Which is why we felt the need to develop this index – to provide a platform for understanding and benchmarking the performance of leading global business services firms.

I hope you will enjoy reading this report and its subsequent iterations. In compiling it, we have used our deep sector knowledge and research teams across our global network. If you are interested in finding out more about the industry, our methodology, or how your business services firm might perform better in the market, please do get in touch.

**Mark Anderson**
Global Business Services Leader

## The 8 strategic sectors covered in PwC's Global Business Services Index based on the performance of global leading firms in each sector/sub-sector

| | Business support services (BSS) | | | | | | Legal and professional services (LPS) | |
|---|---|---|---|---|---|---|---|---|
| **Sectors** | **Logistics and distribution** | **Business process outsourcing (BPO)** | **Testing, inspection and certification (TICC)** | **Human capital management (HCM)** | **Digital and education services (D&E)** | **Built environment services (BES)** | **Legal services (LS)** | **Professional services (PS)** |
| **Sub-sectors** | Logistics providers | Technology business process outsourcing | Inspection and certification | Recruitment solutions | Education services | Facilities and real-estate management | Legal service providers | Consulting, tax and audit |
| | Providers of delivery, logistics and transportation services with B2B focus | Providers of pure play BPO services that focus on technology-related functions (IT, tech-support) | Providers of testing, inspection and certification services to verify content, quality and/or compliance standards | Third-party service providers specialising in permanent recruitment services | Providers of learning and upskilling services, excluding institutes and universities | Providers of facility management, building and landscaping services, contract catering and cleaning, real-estate consultants | Law firms providing services such as legal advice, document review, contract management, legal research, e-discovery, compliance support, and other legal tasks | Providers of management/ technology consulting services, auditing and risk services |
| | Distribution and wholesale | Non-technology business process outsourcing | Healthcare diagnostics and testing | Staffing solutions | Data providers | Security solutions | | |
| | Providers of distribution services and wholesalers | Providers of BPO services that focus on non-tech functions (admin, finance, operations) | Providers of testing and diagnostic services for healthcare sector | Providers of temporary or contract staff as needed | Providers of data and specialised digital services | Providers of physical and digital security solutions | | |
| | Supply chain solutions and freight arrangement | | | | | Waste management | | |
| | Providers of supply chain (SC) solutions and freight forwarding services | | | | | Providers of waste disposal and management services | | |



# Contents

# Executive summary

## Disruptive Megatrends are shaping the business services industry and driving transformative growth

Business services play a crucial role in enhancing operational efficiency and organisational performance across various sectors. In order to continue delivering value, companies need to address the global Megatrends impacting their businesses and deliver differentiated growth.

**46%**

of business services CEOs do not think that their current business model will be viable in 10 years.

**76%**

of business services CEOs have changed the way they create, deliver and capture value.

Source: PwC 27th Annual Global CEO Survey

### Macroeconomic Megatrends

including inflation, have significantly impacted the business services firms. Rising inflation increases operational costs and pressures businesses to optimise their expenditure. Additionally, economic uncertainty drives companies to seek more cost-effective solutions and flexible service models to navigate fluctuating market conditions.

### Technological advancements

are revolutionising the sector, with automation and artificial intelligence (AI) becoming central to business operations. Firms are integrating these technologies to improve efficiency, reduce costs, and offer data-driven insights. In addition, companies are leveraging AI to deliver tailored client solutions and enhance operational capabilities.

### Changing customer preferences

are influencing the sector's evolution, as clients demand niche and sustainable solutions, with a growing emphasis on customised services. In response, business service providers are adopting strategies that focus on optimising costs, reducing carbon footprints and offering specialised services that align with their clients' expansion goals and unique needs.

## Over the past four years, the built environment services sector has experienced strong revenue growth

The sector's index score is 109 (normalised to the base year of 2019 = 100), with the greatest improvements recorded in the growth and profitability dimensions, mainly due to inflation-supported pricing strategies as well as growth in sales volumes. This growth in sales volumes has partially outpaced costs, which benefitted profitability. Productivity has remained relatively flat compared to 2019, while liquidity positions have slightly decreased due to increasing working capital requirements.

Inflation, customer trends and digitalisation have been factors affecting sector performance, urging innovation, and more diversified and tech-enabled service offerings as the business landscape evolves.

### Index Score

**109** Base year (2019) = 100

## Built environment services sector performance, by dimension:

| | |
|---|---|
| Growth | 130 |
| Business services industry average | 142 |

Facilities and waste management companies have seen a strong recovery after the COVID-19 pandemic driven by increased cost of services and specialised offerings, respectively.

| | |
|---|---|
| Profitability | 107 |
| Business services industry average | 109 |

A rise in restructuring, research and development (R&D) and employee costs put pressure on margins, offset by profitability gains resulting from technology investments, especially for security companies.

| | |
|---|---|
| Productivity | 101 |
| Business services industry average | 102 |

Revenues per employee improved through restructuring initiatives but investments in tech (assets) have supported higher returns, albeit proportionate revenues.

| | |
|---|---|
| Cash Flow | 99 |
| Business services industry average | 105 |

Rising costs and working capital requirements have put pressure on cash flows, although liquidity positions generally remain healthy with increasing short-term debts.

## To sustain and enhance differentiated growth, sector leaders are focusing on the following priority areas…

Sector leaders are starting to leverage technology to drive productivity and capture new growth avenues. Upskilling and training talent in high-demand skills, such as generative artificial intelligence (GenAI), data analytics, cloud will be important, as well as building a strong climate mandate to attract talent and provide sustainability-related offerings to clients.

## …and building thorough, foundational risk management practices to capitalise on new growth opportunities

Innovative avenues of growth can increase exposure to new risks, which need addressing via a strong foundation in risk management practices to foster resilience.

### Technology

**Leverage technology for operational efficiency**

Tech and AI can enhance efficiencies across planning, logistics, and security by reducing downtime and extending asset lifespan. This allows for real-time monitoring that can optimise use of resources as well as detect issues early, thereby lowering costs.

### Talent

**Recruit and cultivate talent to meet evolving organisational needs**

Upskilling and training will be vital to adapt to more advanced service offerings. Hiring tech-savvy candidates proficient in GenAI and sustainability helps companies stay competitive, innovate effectively, and address modern challenges with expertise.

### ESG

**Develop a strong climate mandate to stay relevant**

Sector leaders are starting to explore initiatives to improve their energy efficiency offerings, innovate new technology and environmental, social, and governance (ESG) solutions, as well as support clients in their climate adaptation efforts towards net zero.

**Build a thorough risk management practice to seize opportunities**

# 01

## The imperative for change

# Organisations are transforming their own businesses to support clients in tackling disruptive Megatrends and driving transformative growth

## Economic events and Megatrends are transforming the global business environment

Over the past years, several Megatrends have led to a series of disruptions, from a global pandemic to outbreaks of conflict, from extreme weather to the sudden advent of AI. The Megatrends of climate change, technological disruption, demographic shifts, and others have been aggravating the challenges faced by leaders.

Supply chain disruptions, new technology that threatens to make entire categories of jobs obsolete and rapidly evolving government regulations are creating an imperative for businesses of all types to reinvent their delivery models to enable long-term growth.

Aside from disrupting business plans and operations, they have also led to increased cost and inflationary pressures.

## Inflationary pressures are expected to continue impacting businesses

**1 in 4**

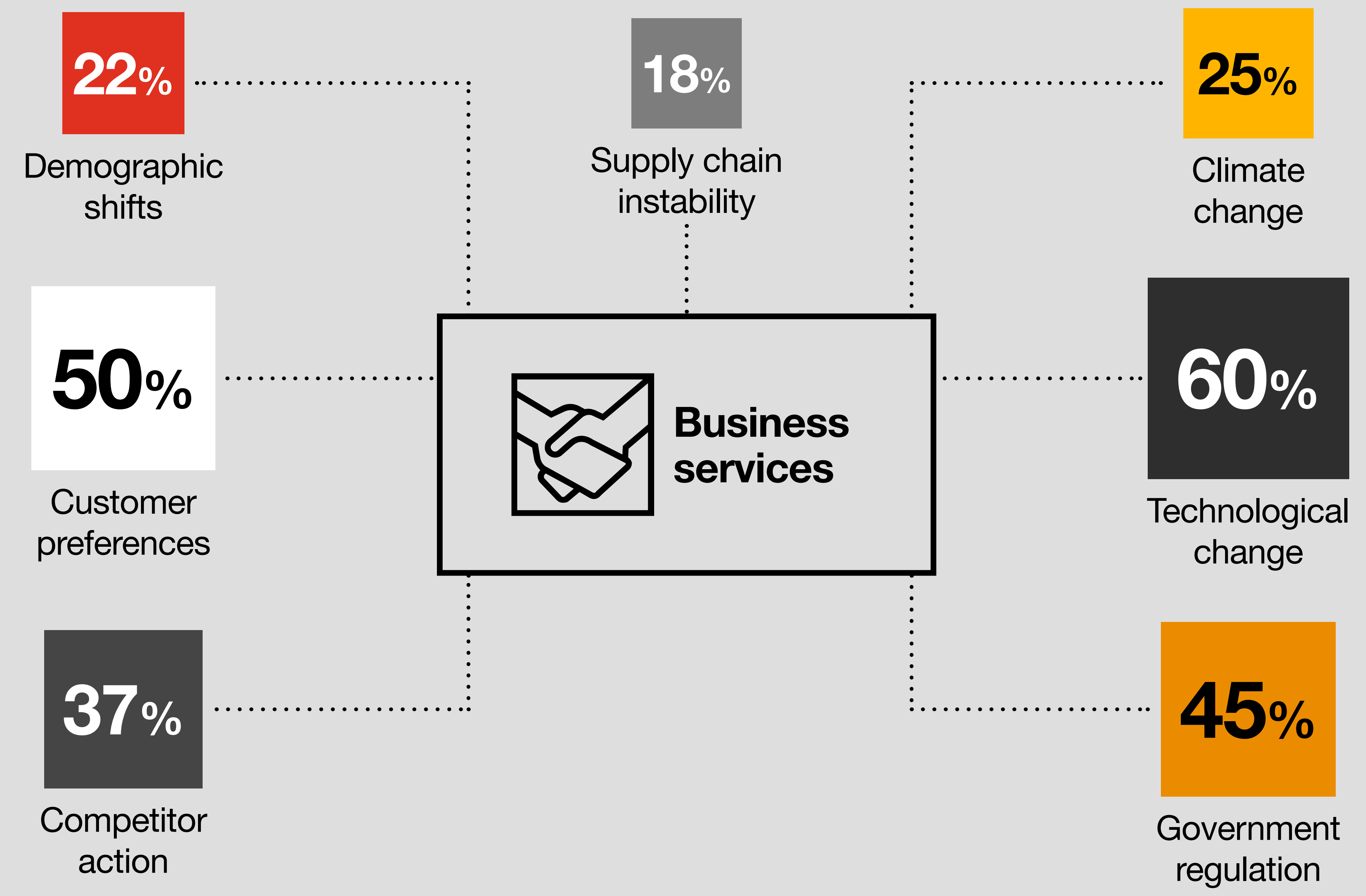
global business services CEOs believe their company will be highly or extremely exposed to inflation in the next 12 months.

Source: PwC 27th Annual Global CEO Survey

Highly competitive sectors are increasingly affected by inflationary pressures impacting costs and profitability.

By offering differentiated services, some global leaders are driving a premium pricing strategy to pass these cost pressures on to their customers.

**Global business services leaders see technology change and customer preferences as top factors that will drive them to change the way they create, deliver and capture value over the next three years:**




Source: PwC 27th Annual Global CEO Survey. Percentage values reflect the percentage of global business services leaders who indicated that the following factors will drive changes to the way their company creates, delivers, and captures value in the next 3 years

## In today's market, built environment services play a crucial role in helping companies respond to Megatrends and foster growth...

Built environment services (BES) companies support businesses with services including facilities and real-estate management, security solutions, and waste management, forming a cornerstone for any company's operations.

Facilities and real estate management help companies maintain conducive work environments catering to businesses' day-to-day requirements.

Security solutions help companies perform operations seamlessly, without having to worry about physical or cyber breaches.

Waste management services support companies in sustainable disposal, recycling and similar environmental efforts, facilitating ESG compliance.

## ...but there is an increasing need for BES leaders to transform their own businesses to deliver value to their clients

As the global business landscape has undergone a massive transformation towards hybrid working following the pandemic, providers of facility management services had to explore alternative avenues of growth.

Increasing demand for specialised and technology-enabled solutions is driving leaders in this space to upskill employees to acquire and develop niche capabilities.

Furthermore, waste management leaders are doubling efforts to explore synergies through vertical and horizontal integration of business segments and aim to offer specialised services to clients.

# To scale and drive customer growth, companies are reinventing their own practices in the areas of technology and specialised offerings

**76%**

of business services CEOs report having taken some steps to change how they create, deliver and capture value over the past five years.

Source: PwC 27th Annual Global CEO Survey

## Business leaders need to focus on several key areas to drive both financial and operational growth

### Leverage technology to enhance capabilities and service quality

Companies can leverage technology to define new service offerings and optimise workflows to provide high-quality services.

### Focus on core functions to streamline workflows

Companies should prioritise core business and leverage outsourcing to streamline workflows and promote productivity.

### Expand into new markets and customer segments, develop new service offerings

Companies should explore new customer segments and markets to drive transformative growth.

Acquisitions and divestitures can help drive differentiation, allowing companies to scale, specialise and capitalise on high-growth opportunities.

### Free up capital to fund investments

Companies can optimise their cash position and profitability through near-term cost-cutting measures or major organisational restructuring to move towards leaner operations.

**Percentage of respondents who indicated the following was top strategic priorities for their company in the near future:**

| | |
|---|---|
| 51% | Investing in new technologies |
| 51% | Investing in GenAI specifically |
| 40% | Leverage data and analytics to develop new offerings |
| 40% | Major reorganisation of operating model |
| 33% | Entering new markets |
| 30% | Changing the workforce composition |
| 30% | Cost-cutting |
| 29% | Using tax credits to fund investments |
| 28% | Acquisitions or divestitures |

Source: PwC Global Pulse Survey 2024

# To track performance, PwC's Global Business Services Index will help leaders evaluate the effectiveness of their value-creation strategy

**Tracking the financial and operational performance of the sector is essential for informed decision-making and sustained growth**

Regular monitoring facilitates proactive adjustments to strategies, resource allocation, and service improvements, assisting companies to remain competitive and capable of delivering value in a dynamic market environment.

Emphasising data-driven decision-making enables companies to continue driving value and supports sustainable growth for the organisation.

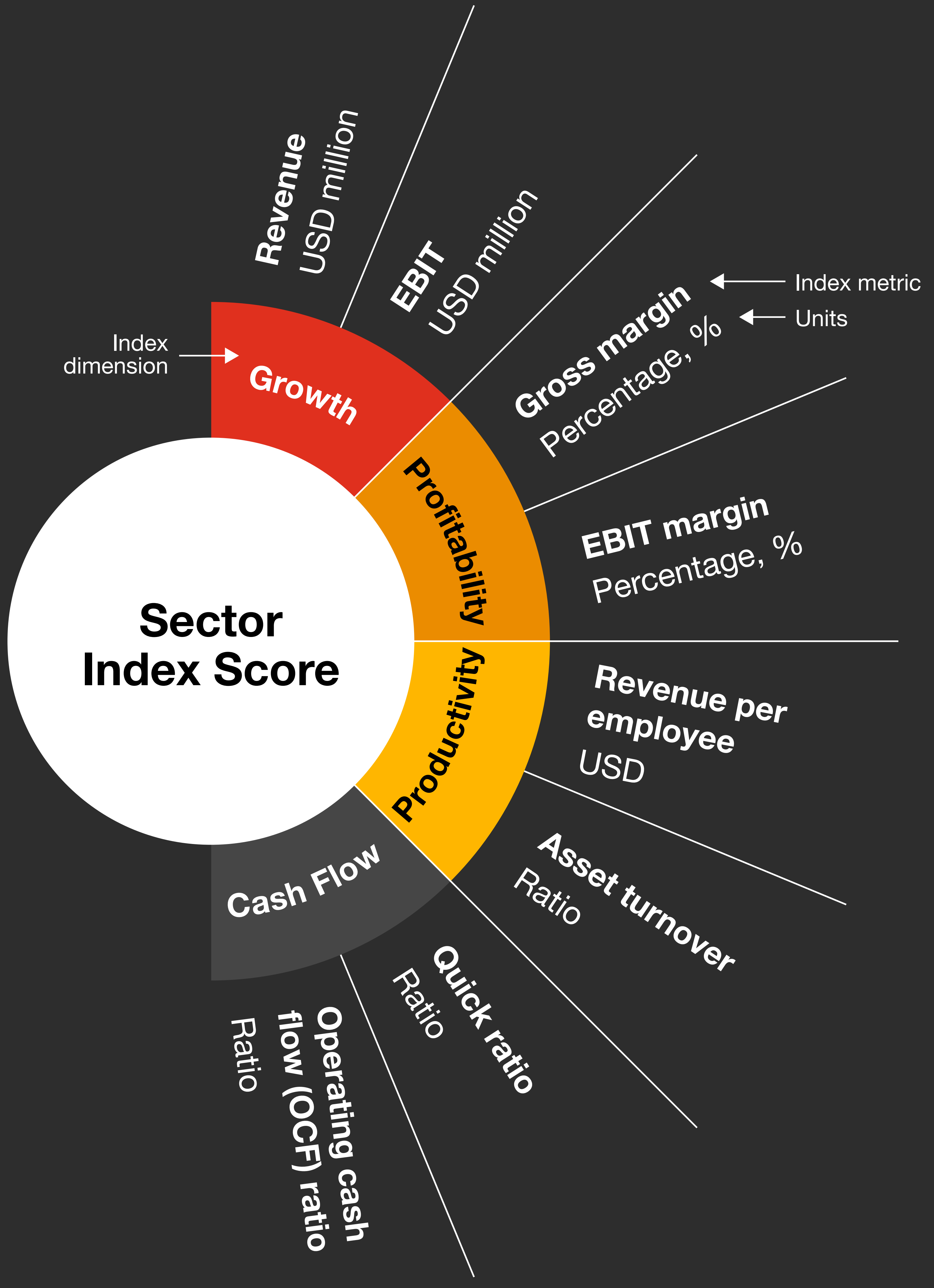
**An index for business services can serve as a strategic tool for benchmarking, allowing business leaders to compare their own performance against industry peers and identify areas for improvement**

The PwC Global Business Services Index consolidates key metrics such as **growth, profitability, productivity and cash flow.**

The Index provides a thorough view of market trends and competitive benchmarks, aiding in strategic decision-making.

By benchmarking against industry standards, leaders can identify operational inefficiencies, streamline processes, and enhance service quality.

This data-driven approach helps prioritise investments, mitigate risks, and capitalise on emerging opportunities, enabling sustainable growth and maintaining a competitive edge in the marketplace.




Note: Sector index reflects a normalised score relative to the base year of 2019 (= 100)

# 02

## Sector Index

# BES sector at a glance

### Facilities and real-estate management

Providers of facility management, building and landscaping services, contract catering and cleaning, real-estate consultants.

### Security solutions

Providers of physical and digital security solutions.

### Waste management

Providers of waste disposal and management services.

## Overall, the BES sector experienced significant growth in revenues and EBIT, with marginal changes across other performance dimensions

The sector's index score is 109 (normalised to the base year of 2019 = 100), with growth and profitability dimensions performing well. This was driven by inflation-supported pricing as well as organic growth in sales volumes. The growth in revenues outpaced increased costs to some extent, which benefitted profitability.

Productivity and cash flow did not show significant improvement compared to 2019, as acquisitions over the period required cash outlays, along with investments in technology.

## Inflation, customer trends and digitalisation are impacting the performance of BES firms

### Inflation

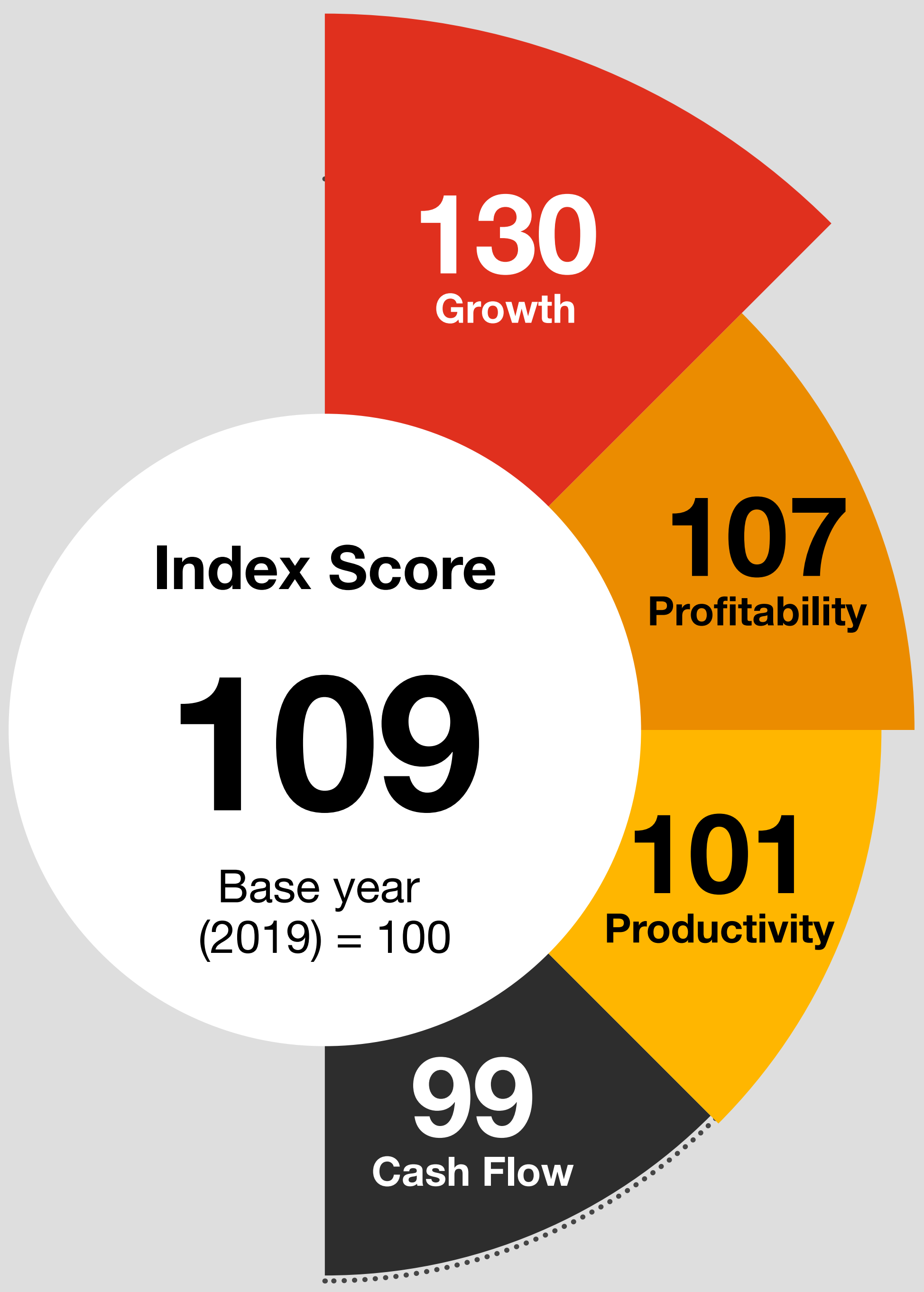
Some players benefitted from inflation-based pricing, driving up revenues, especially in the facilities management and security solutions sub-sectors.

### Diversification

Return to office and increased sustainability standards are some of the trends impacting customer demand. This is leading businesses to explore specialised services, such as workforce security, consulting and advisory, or sustainability-related services to broaden their revenue pipelines.

### Technology

Firms have also been investing in technology assets to improve workflow automation and data flows, but this has had an impact on profit and cash flow in the short-term.

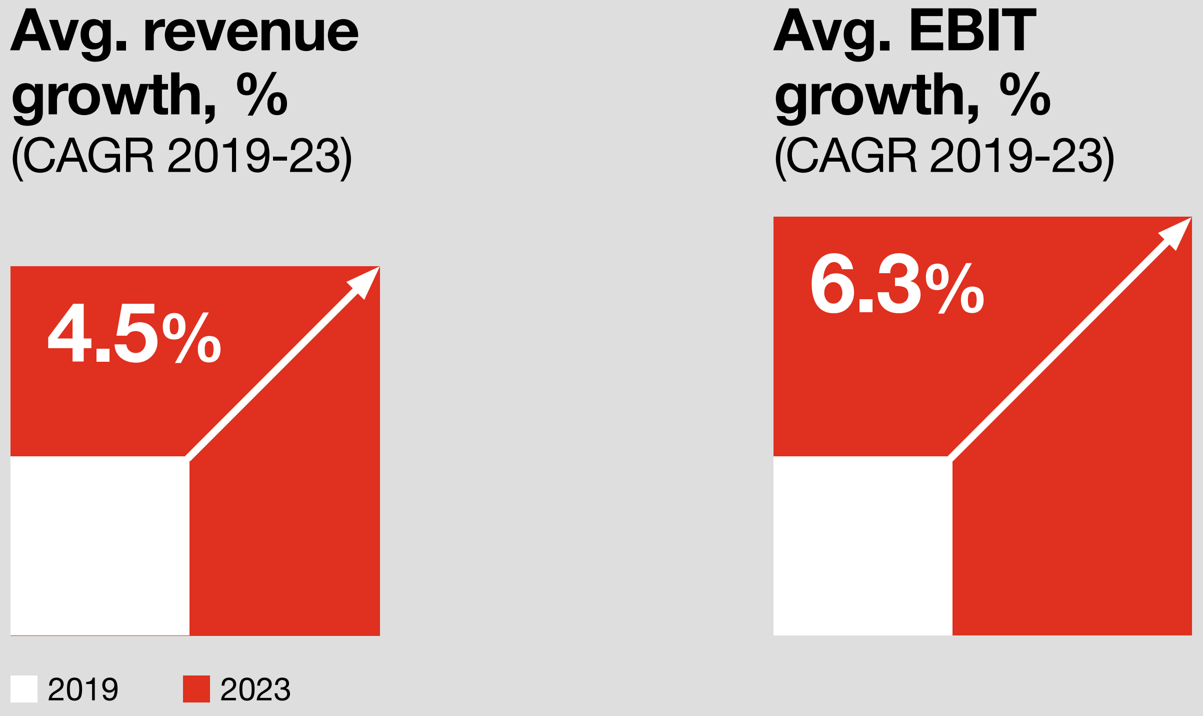



.... = 100 (base score for each dimension with 2019 as reference year)

## Growth

Dimension score: **130**

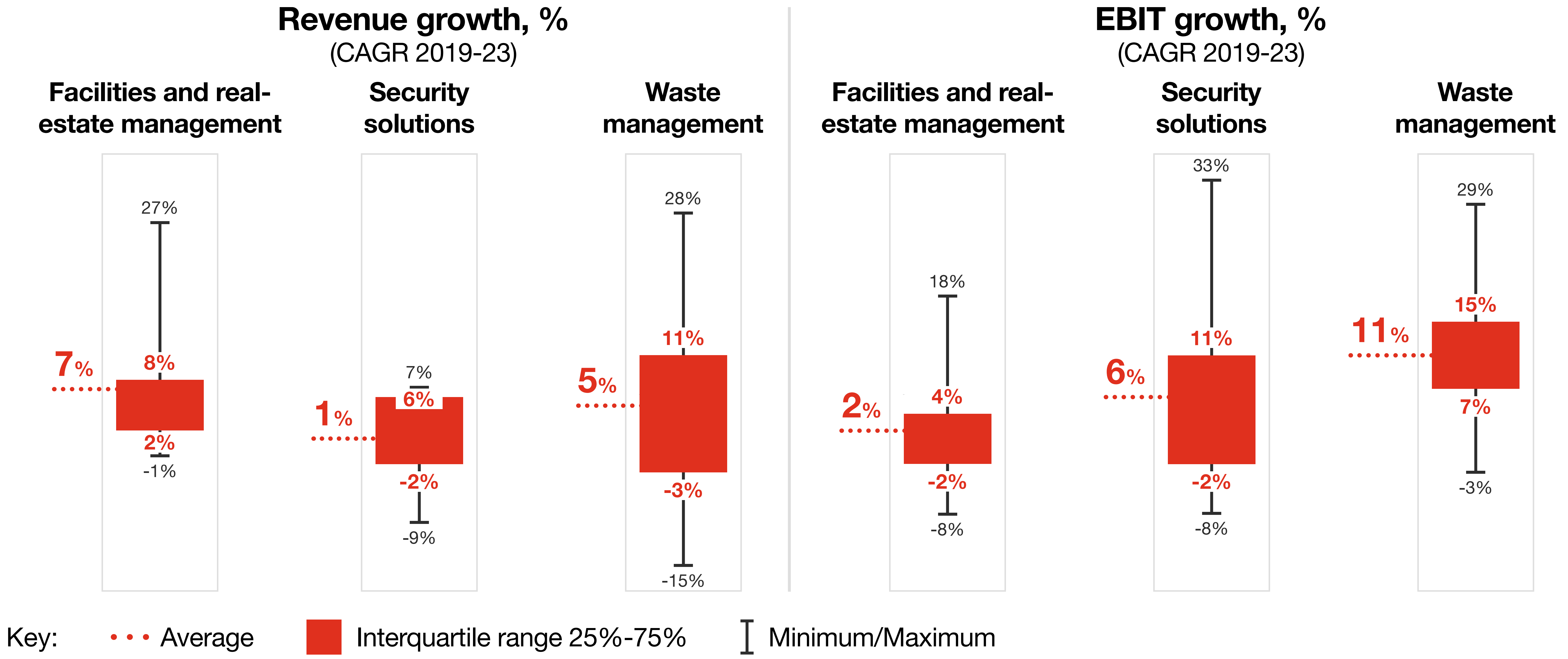
Inflation-based price increases, demand for security, sanitation and environmental services, and diversification have driven growth.




### Overall, the sector recovered well from the COVID-19 pandemic, with waste management services experiencing the highest growth

The majority of companies, especially in facilities management and security services, benefitted from inflationary pricing, coupled with organic increases in sales volumes. The sector also saw a rise in demand for security and sanitation due to return-to-office trends from 2021 onwards.

Growth for waste management services stemmed from targeted acquisitions to internalise new and complementary capabilities, and from government support to scale operations, in line with increased demand for environment-friendly services.




### Facilities and security players benefitted from inflation-led prices but are turning to geographic diversification for rebalanced growth

Until 2022, the growth for facilities management stemmed from inflation-based price increases. Additionally, bundled digital solution offerings also facilitated growth through recurring revenues.

Real-estate management firms focusing on commercial segments (warehouse, industrial) have benefitted from the e-commerce boom, as compared to retail and office segments seeing waning demand since the COVID-19 pandemic.

### Investments in technology and increased sustainability needs have supported accelerated margin growth for waste and security management companies

Security and waste management segments saw a peak in revenue growth during the pandemic, normalising in 2023. As most security solutions became increasingly tech-enabled, margins improved despite a decline in headcount.

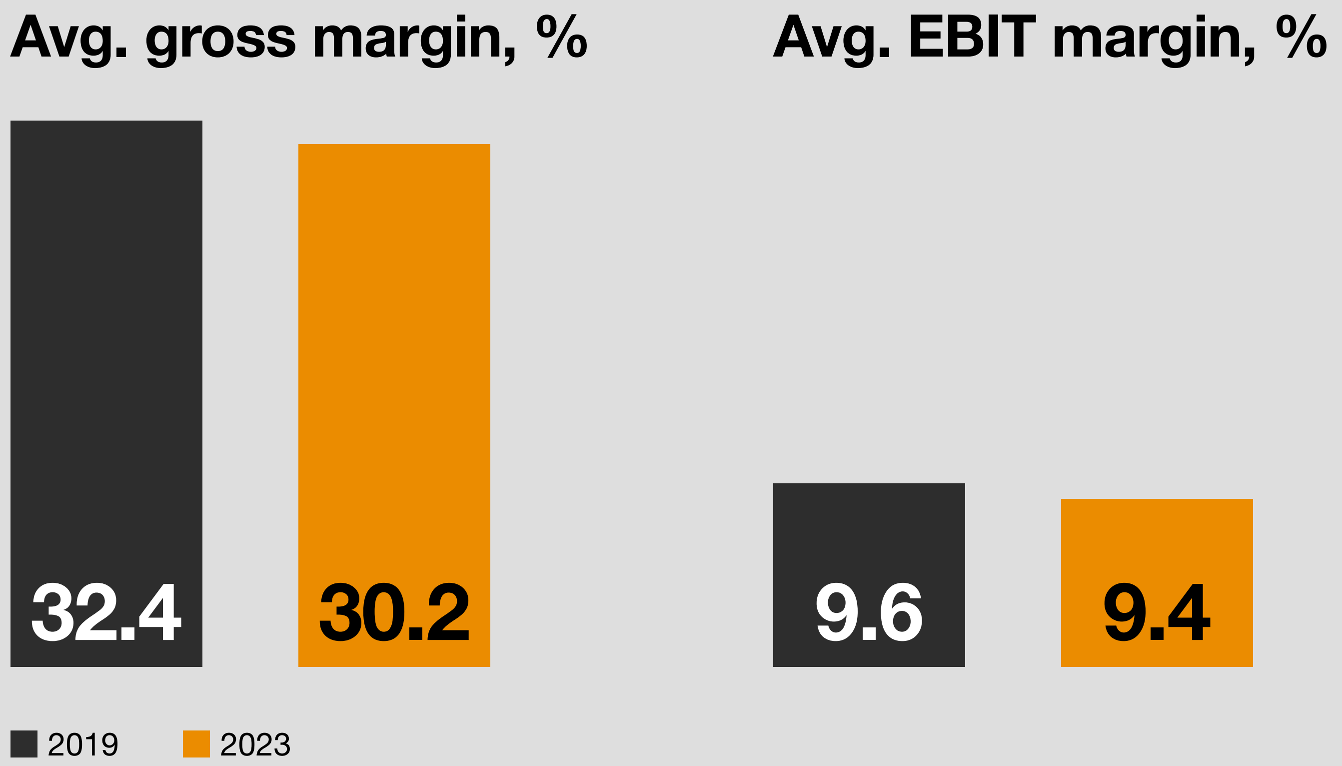
Leveraging government incentives and programs and investing in new-tech solutions, waste management businesses have benefitted from vertical and horizontal integration to grow and complement their existing offerings, driving improvements in margins.

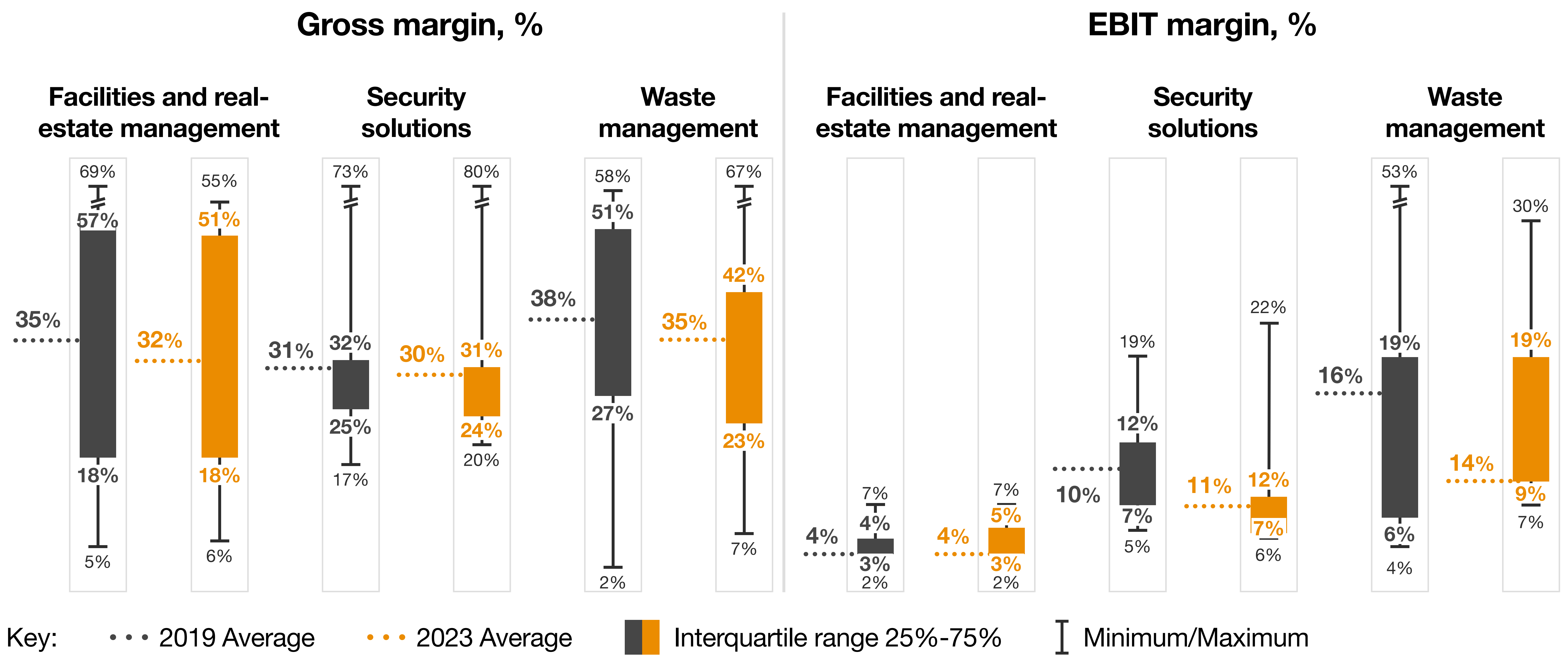
Sources: Company annual reports, PwC analysis
(for detailed methodology, refer to Appendix)

## Profitability

Dimension score: **107**

Price increases partially offset the impact of inflation-related costs; however, rising restructuring, R&D and employee costs put pressure on EBIT margins.




### Profitability remained relatively stable, but higher costs impacted facilities management the most, with companies in that sub-sector seeing the largest decline in gross and EBIT margins

While some firms benefitted from inflation-based price increases, they also had to grapple with higher costs.

Office maintenance, staff benefits and compensation, as well as higher materials, fuel, transportation and subcontracting costs impacted margins across sub-sectors.

### While inflationary pressures on operating expenses and salaries had an impact on gross margins…

Overall, most businesses experienced an increase in labour and subcontracting costs, especially during the COVID-19 pandemic.

Supply chain delays and increased material costs allowed some facilities management players to increase prices during the COVID-19 pandemic. However, continued inflationary pressures and normalisation in trends have negatively impacted margins.

### …restructuring and efficiency gains drove EBIT for most companies, except waste management firms, incurring higher expansion-related costs

Restructuring measures and efficiency gains from technology integration helped facilities management and security sub-sectors to sustain EBIT margins.

While most waste management businesses benefitted from expansion in high-margin segments, some saw higher costs associated with new facilities and fleets. These, along with investments in R&D, have led to a higher impact on EBIT.

Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

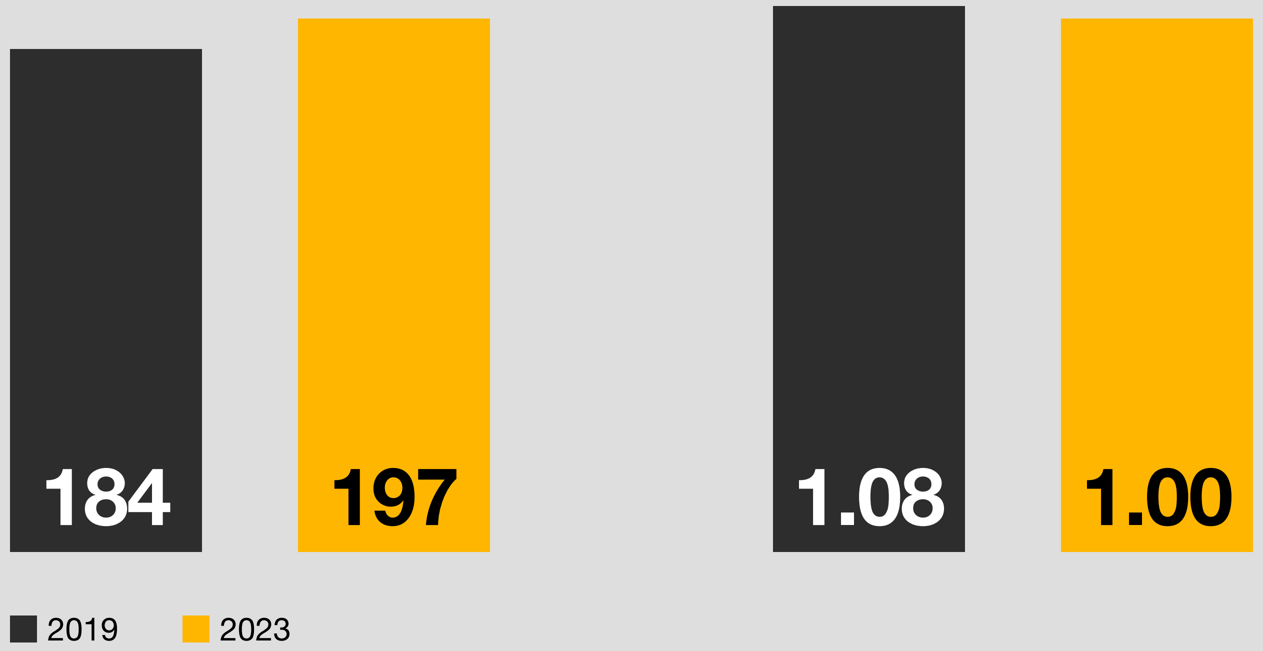
## Productivity

Dimension score: **101**

Revenues per employee improved as a result of restructuring initiatives but asset turnover ratios have not improved despite investments in tech.

**Avg. revenue per employee, $000**

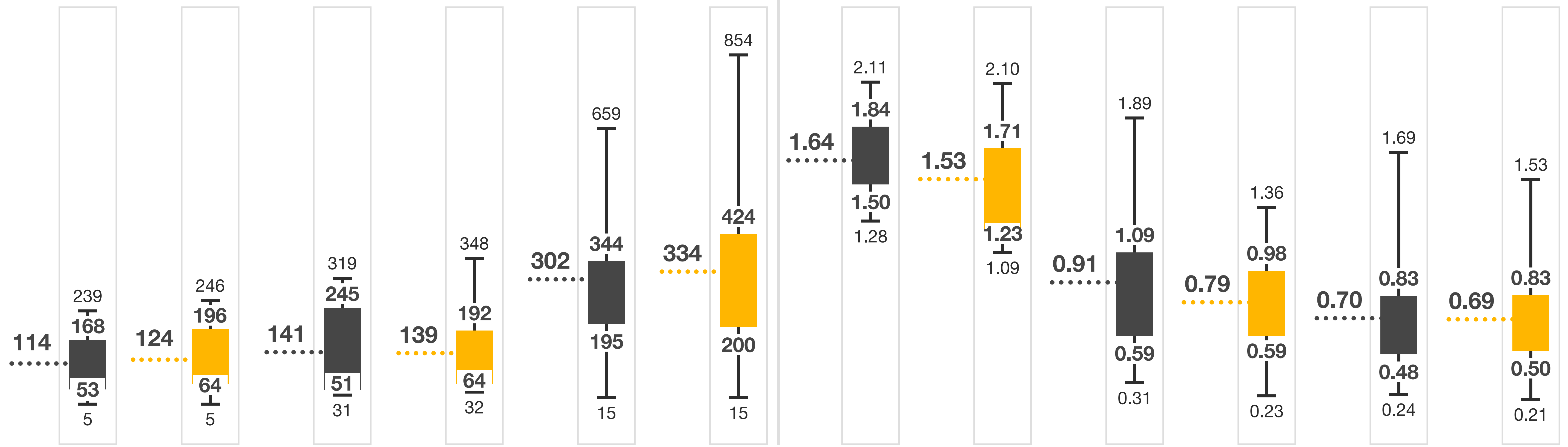
**Avg. asset turnover ratio**




### Revenue per employee, $000

### Asset turnover ratio

Facilities and real-estate management | Security solutions | Waste management | Facilities and real-estate management | Security solutions | Waste management




Key: 2019 Average | 2023 Average | Interquartile range 25%-75% | Minimum/Maximum

### On average, productivity remained flat as companies experienced an increase in revenue per employee but asset turnover ratios declined

Increase in productivity was only incremental compared to the increase in revenue. While organisations have undertaken restructuring initiatives and investments in technology to improve productivity, this has so far only led to an improvement in revenue per employee, but not in asset turnover.

### Facilities management and security companies leverage tech solutions to increase employee productivity

Implementation of preventive and predictive tech solutions has facilitated better planning, reducing manual interventions. This has allowed for improved productivity despite a conservative headcount increase.

While these tech investments are helpful in improving employee productivity, it's impact on revenue remains limited, lowering asset turnover ratios.

### Waste management players focus on increasing employee utilisation by better workforce reallocation during expansion initiatives

High investments in tech, fleet and facilities, especially over the last two to three years, have led to a faster increase in assets for waste management companies, as compared to the growth in revenues.

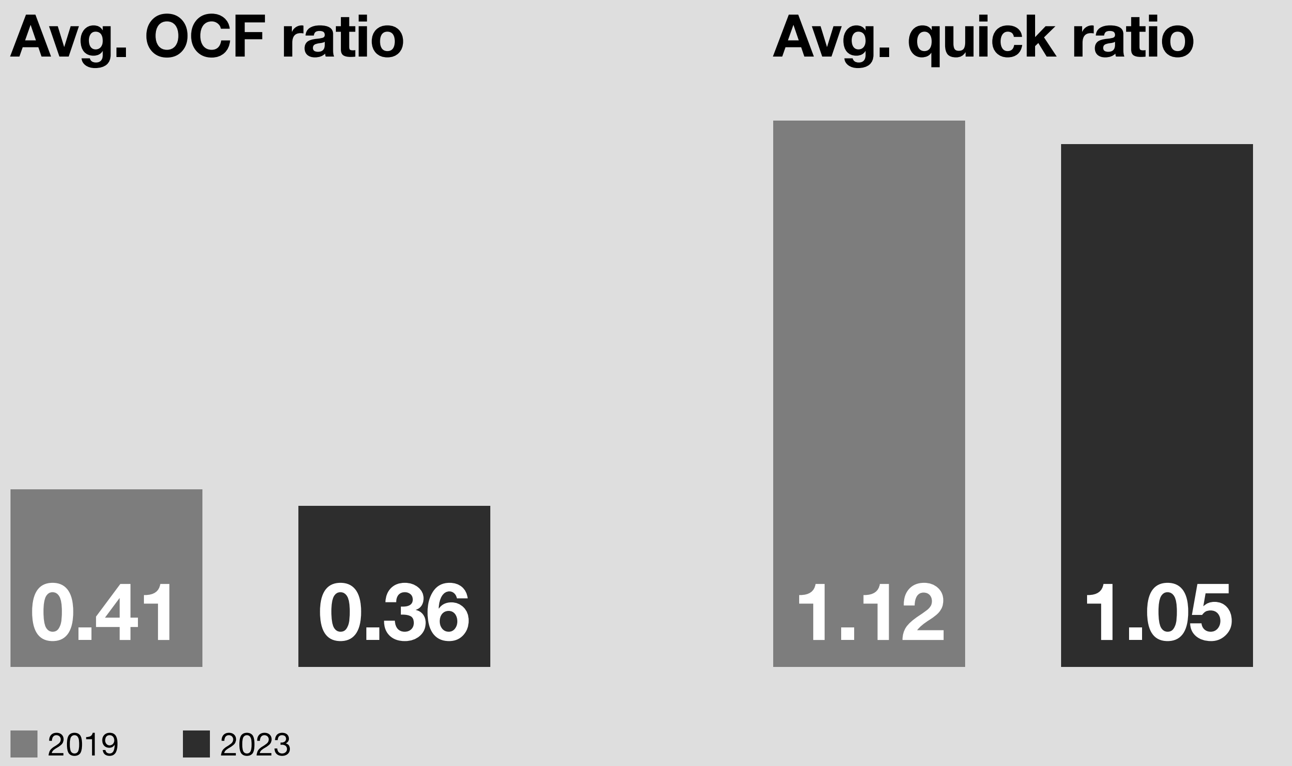
Workforce reallocation initiatives have resulted in improved employee utilisation rates and overall process efficiency driving staff productivity.

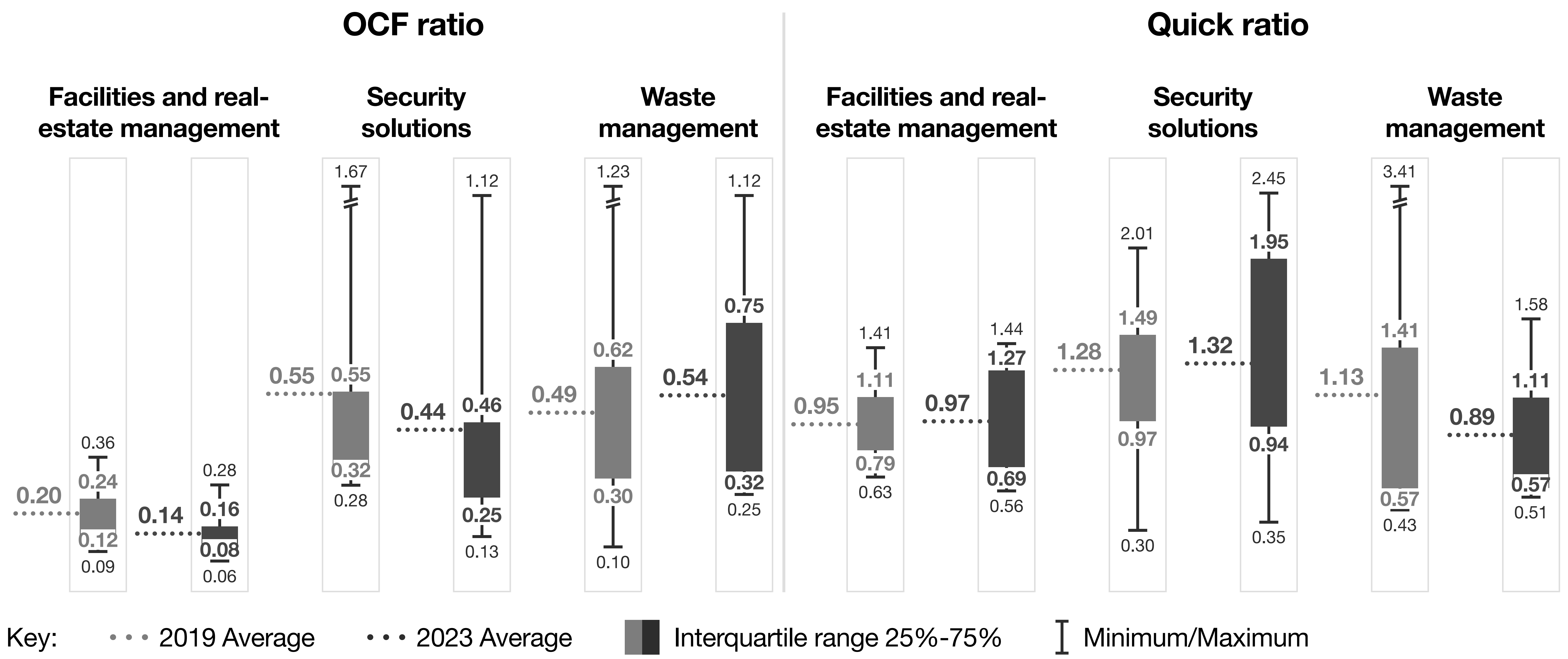
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

## Cash Flow

Dimension score: **99**

Rising costs and working capital requirements constrain cash flows for most; liquidity positions generally remain healthy, partially affected by increasing short-term debts.




### Continuous expansion initiatives are driving down liquidity ratios

Across the sector, firms have been financing their expansion strategies through a combination of cash and short-term credits, resulting in slight decreases of ratios.

### Cash generation remains challenged by short-term debt incurred to fund expansion

Despite historically low OCF ratios in facilities management, increasing demands and rising costs create unprecedented cash flow pressures.

Waste management firms have experienced the highest growth trajectories, causing increases in net income to offset additional short-term liabilities, resulting in improved OCF ratios.

### Short-term liquidity positions remain healthy as capital is utilised more efficiently

Facility management and security solutions companies have experienced a marginal improvement of quick ratios, due to increases in receivables outpacing payables.

Waste management players are funding acquisitions with existing cash balances, reducing current assets. At the same time, subcontractor costs for construction of facilities and leasing of fleet drive short-term liabilities.

Sources: Company annual reports, PwC analysis
(for detailed methodology, refer to Appendix)

# Organisations are channelling efforts to build internal capabilities across services enhancing their portfolios...

## Businesses across the sector are internalising capabilities and enhancing portfolios to increase customer acquisition

- Companies are acquiring other businesses to explore segments along the value chain and offer new or supplementary services for their clients such as planning or scheduling solutions
- By vertically integrating capabilities, firms are able to reduce dependencies on subcontractors and achieve better control over costs
- Further, firms are diversifying their portfolios towards sustainability-related services such as circular economy or energy efficiency solutions

## Success story

### A leading waste management firm is pursuing an aggressive acquisition strategy to internalise stages along the value chain and building internal capabilities to drive organic growth

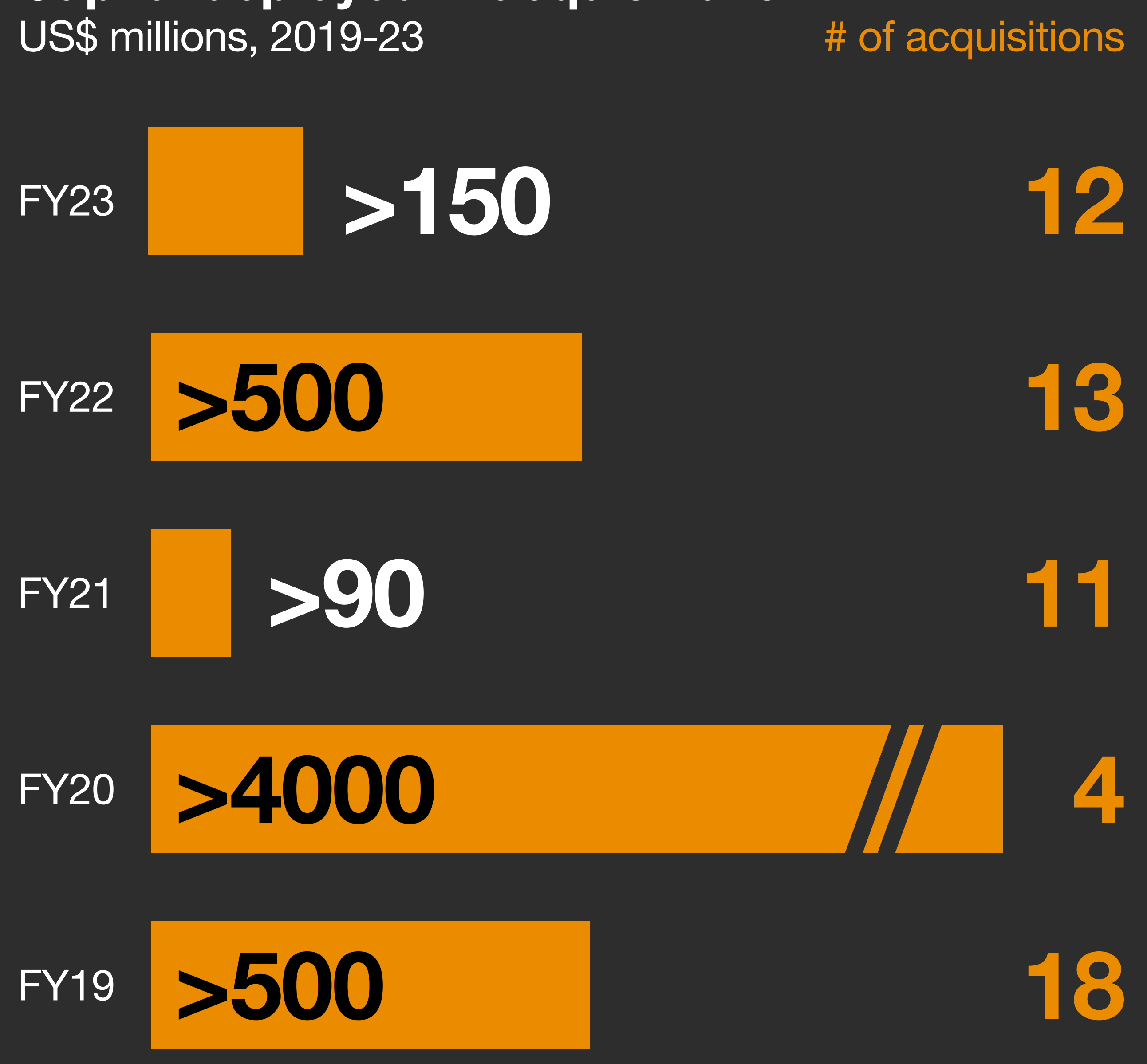
To quickly build internal capabilities in downstream services, the firm deployed significant capital for **multiple tuck-in acquisitions** in waste management adjacencies such as waste-to-energy generation.

By expanding operations from waste collection and disposal, to integrated services including landfill and recycling, the company was successful in **strengthening its position in the ecosystem.**

While these acquisitions are necessary to maintain growth momentum, the firm is also **optimising scale and utilisation of existing facilities** to nurture balanced and healthy organic growth.

Source: Company annual reports, PwC analysis

**Capital deployed in acquisitions**
US$ millions, 2019-23



# ...to capitalise on new opportunities and technological innovation

## The reinvention imperative encourages firms to develop capabilities for digital and AI solutions

- Leading providers of facility- and security-related services are investing in technological solutions not only for optimising internal processes but also for clients as add-on services
- To satisfy the increasing demand for machine learning solutions that allow for higher margins, firms are multiplying efforts to scale AI integration
- Productivity gains generated from tools, that optimise planning and scheduling, benefit companies as well as their clients

## Success story

### A facility and security management service provider has adopted technology-based solutions for internal and external applications

**Accounting for a third of their segment revenues from facility management,** the firm is cross-selling digital solutions for their managed sites such as facial recognition e-attendance applications.

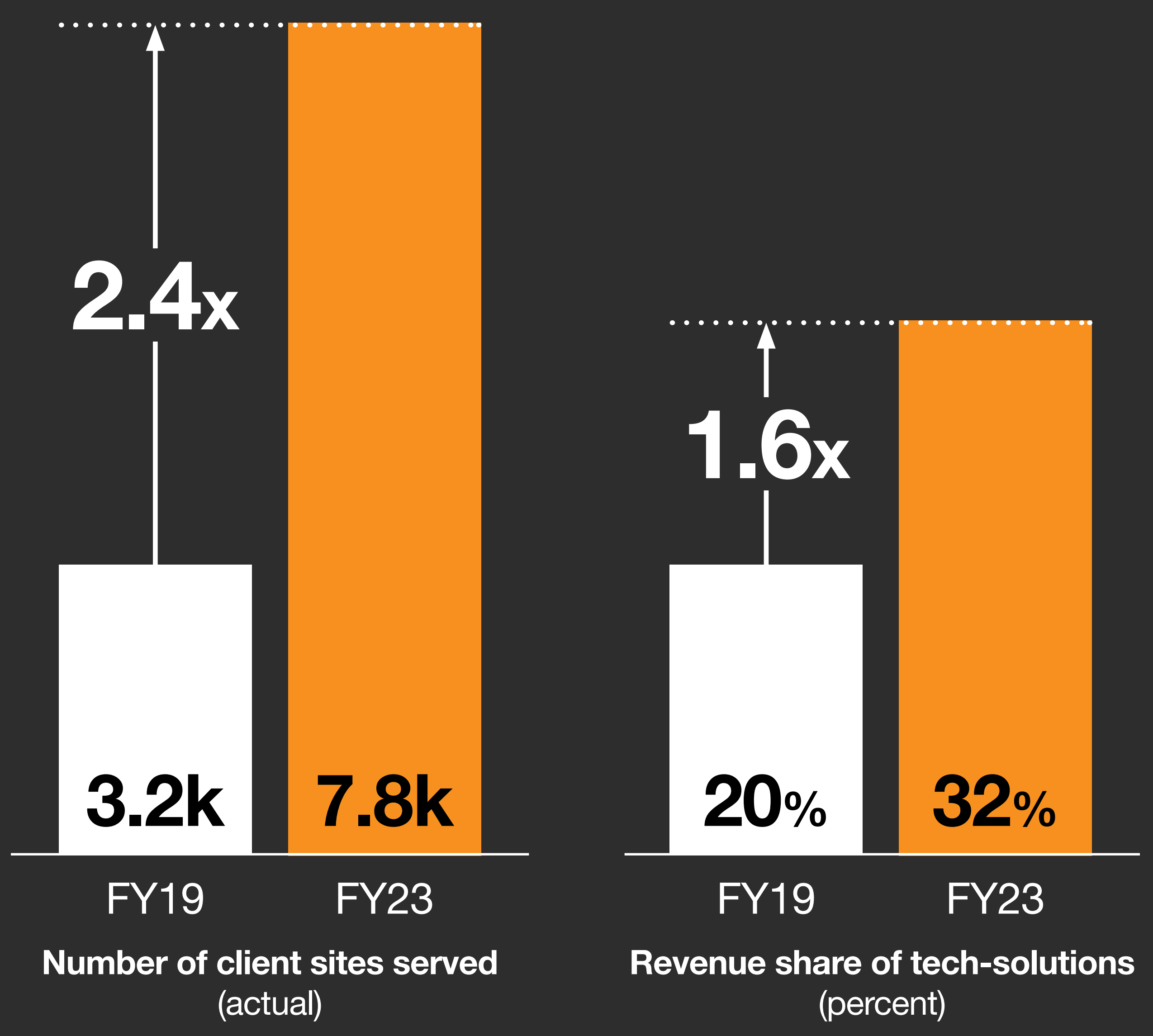
By engaging in strategic partnerships with startups and technology service providers, it is also **enhancing capabilities in automation solutions for security** such as AI-integrated CCTV solutions.

The company is aiming to continue investing in developing these technologies, planning to scale up volume of operations four to five times compared to 2022 levels.

Source: Company annual reports, PwC analysis

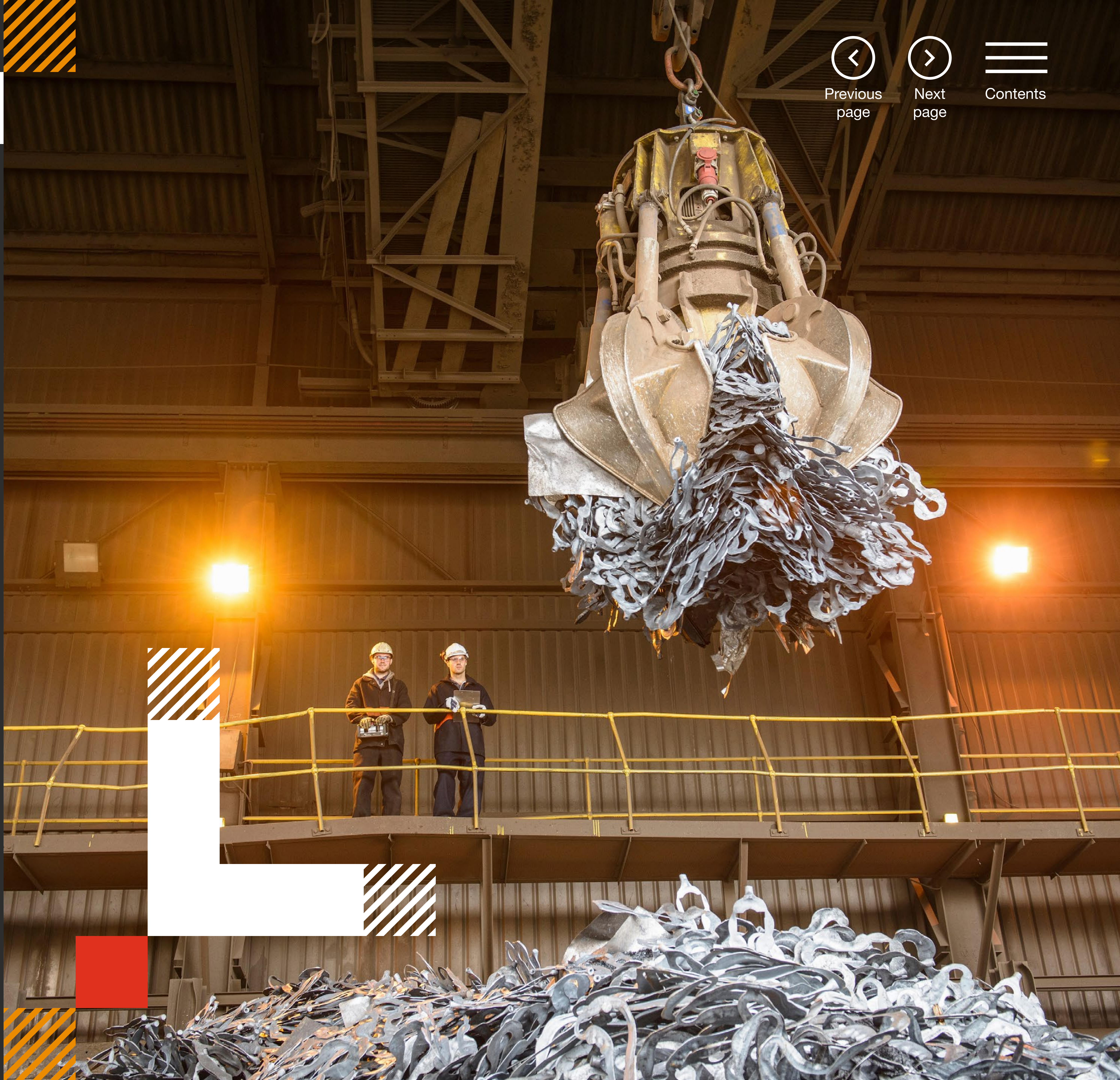
### Impact of digital solutions: Most notable statistics

Facilities management (FM) business segment, 2019-23



# 03

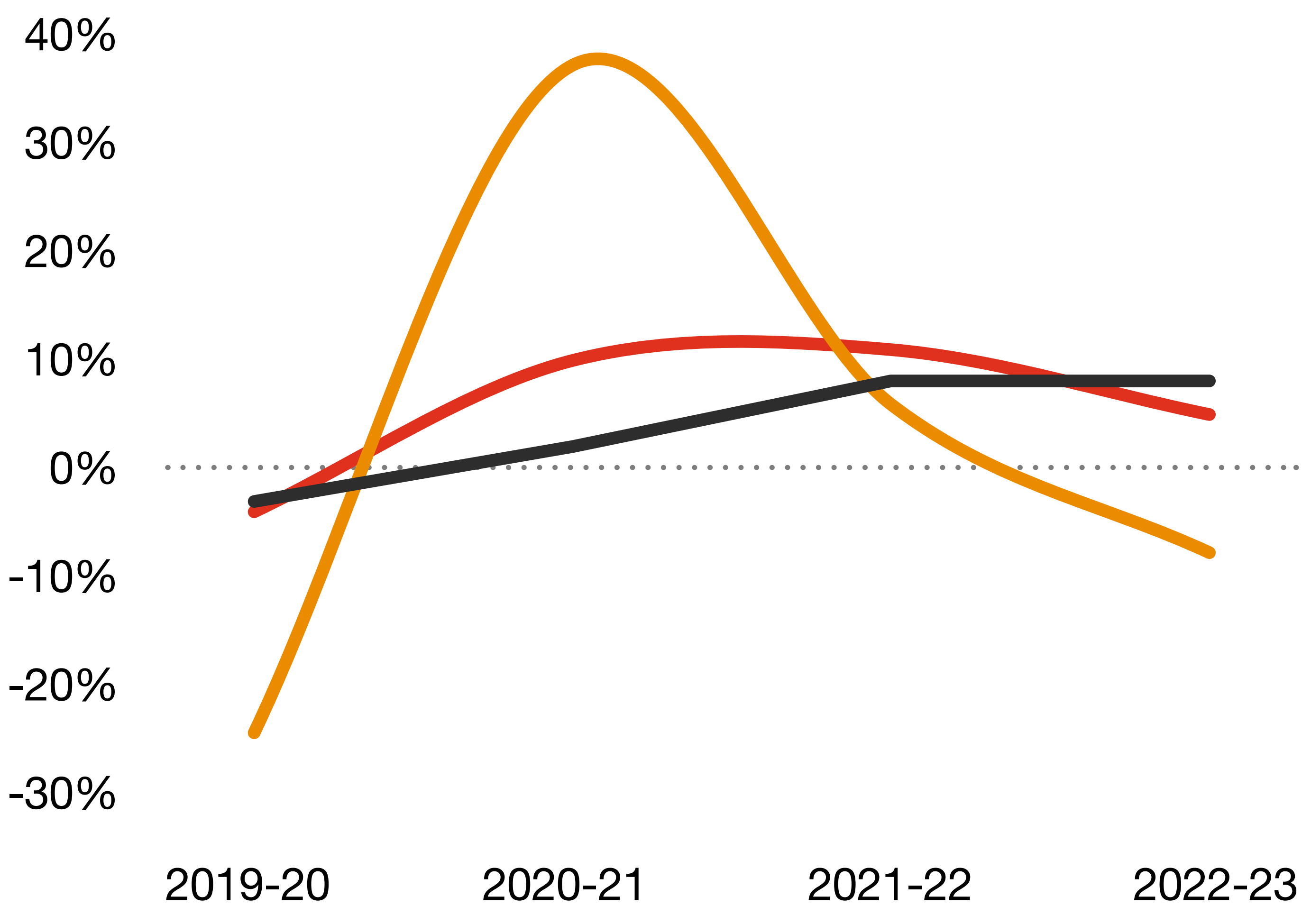
## Priorities for success



# Companies have identified that investments in advanced technology and climate solutions remain inevitable for sustained growth

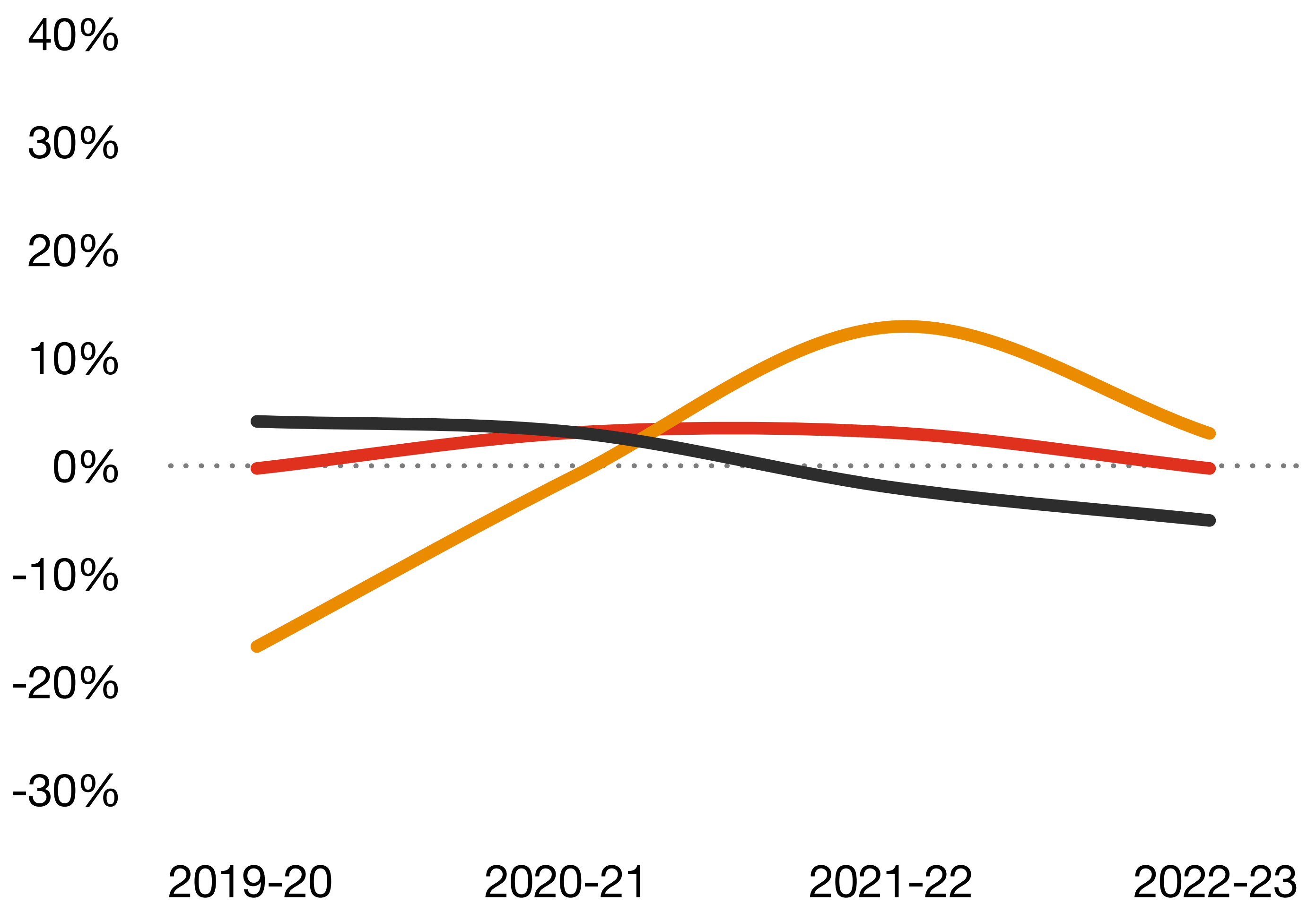
**After benefitting from price increases during the COVID-19 pandemic, continued inflationary trend and costs related to restructuring put pressure on margins, despite growth in revenues**

**Facilities and real-estate management**



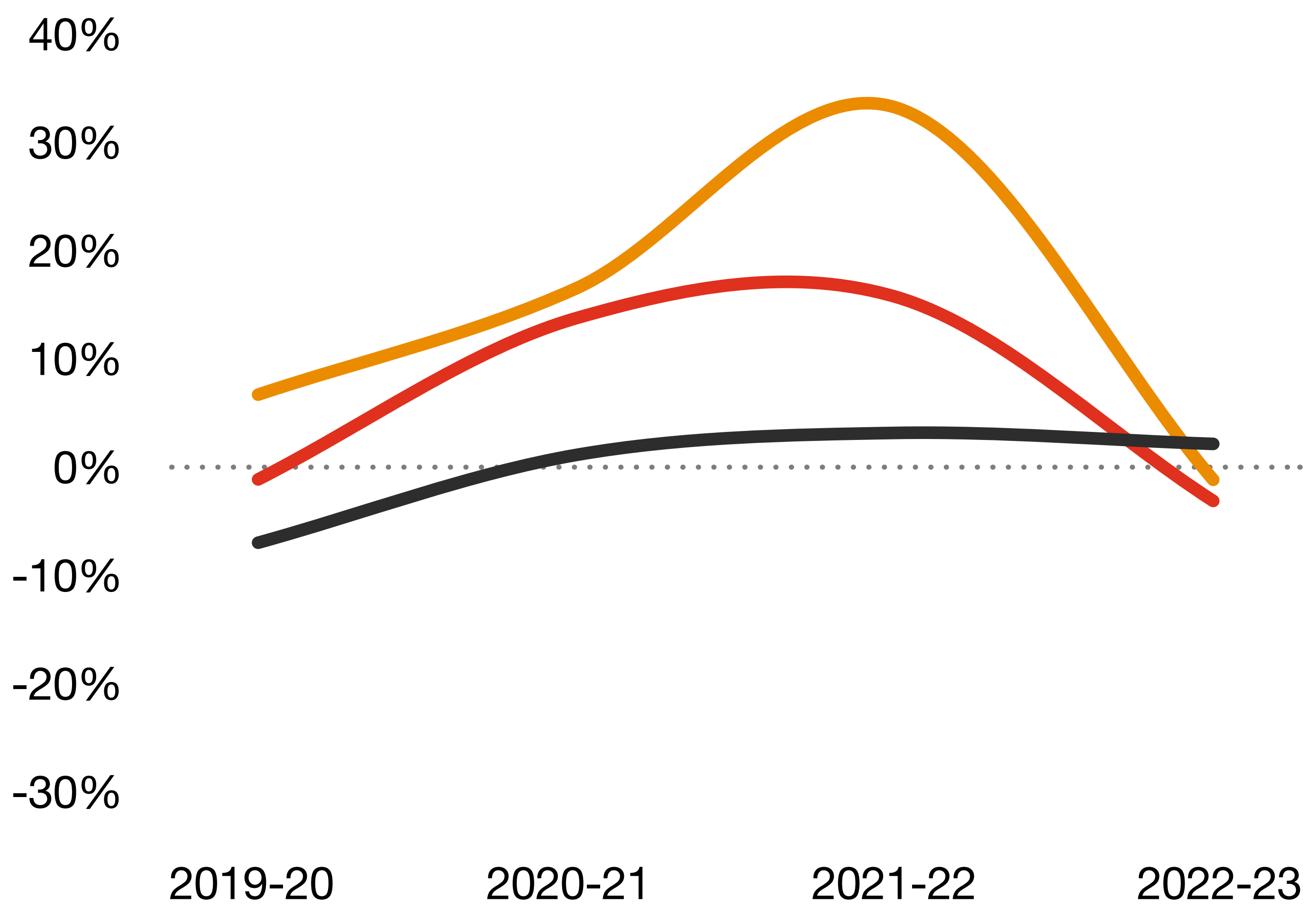

**Embracing technology within security solutions have helped security businesses recover strong in profits, outpacing the flat revenue and declining headcount trend**

**Security solutions**




**Waste management companies see accelerated margin growth amidst business expansion in high-tech, niche and sustainable segments**

**Waste management services**




Average headcount growth, y-o-y % change — Average EBIT growth, y-o-y % change — Average revenue growth, y-o-y % change

Sources: Company annual reports, PwC analysis
(based on a sample of 10 facilities and real-estate management companies)

Sources: Company annual reports, PwC analysis
(based on a sample of 10 security solutions companies)

Sources: Company annual reports, PwC analysis
(based on a sample of 10 waste management companies)

**Leaders are focusing on these key priorities to enable differentiated and resilient growth:**

**Using technology for enhanced operational efficiency** by automating processes and tasks for employees to focus on high value-added activities.

**Recruit and cultivate a future-proof workforce** to develop advanced technological capabilities and meet evolving organisational needs.

Companies are offering innovative solutions, to help their clients **develop a strong climate mandate to stay relevant.**

Experiencing an increasing level of volatility and uncertainty, firms are expected to **build a thorough risk management practice** to seize opportunities.

# Leverage technology for operational efficiency

## Technological disruptions such as GenAI could change the way BES businesses create, deliver and capture value

The adoption of technology has emerged as a pivotal factor for business leaders aiming to excel in today's competitive landscape. By integrating advanced tools, companies can optimise operations, leverage data-driven insights, and drive both top- and bottom-line growth. Embracing these innovations not only helps enhance operational efficiency but also fosters scalability and adaptability, positioning firms for sustained success in an evolving market.

**1 in 5** business services CEOs believe that the lack of technological capabilities is an inhibiting factor in changing the way they create, deliver and capture value.

Source: PwC 27th Annual Global CEO Survey

## Organisations need to embrace disruption and leverage new technologies to find new growth opportunities

**~80%** of business services leaders took major action[1] towards adopting new technologies:

| Not at all/ very limited extent | Limited extent | Moderate extent | Large or very large extent |
|---|---|---|---|
| 3% | 14% | 35% | 44% |

Source: PwC 27th Annual Global CEO Survey

Business leaders can significantly enhance profitability by integrating technology and AI into their operations. For facilities management, AI-driven predictive maintenance can reduce downtime and extend asset lifespan. In wastewater management, real-time monitoring systems can optimise resource use and detect issues early, lowering costs.

Security firms can leverage AI for advanced surveillance and threat detection, improving response times and reducing manual labour. These technologies streamline operations, cut expenses, and boost overall efficiency.

[1] Major action includes survey responses ‘to a large extent’ and ‘to a very large extent’

## GenAI has been a huge disruptor but firms are adopting AI to find gains in revenue and margins

**71%** of business services CEOs believe GenAI will change the way their company creates, delivers and captures value in the next three years.

While a vast majority of business services leaders acknowledge the importance of GenAI, only 37% of them have adopted GenAI in their operations, according to PwC's 27th Annual Global CEO Survey. This mismatch in recognised potential and adoption highlights the scope for further integration of GenAI into existing operations to drive efficiency and growth.

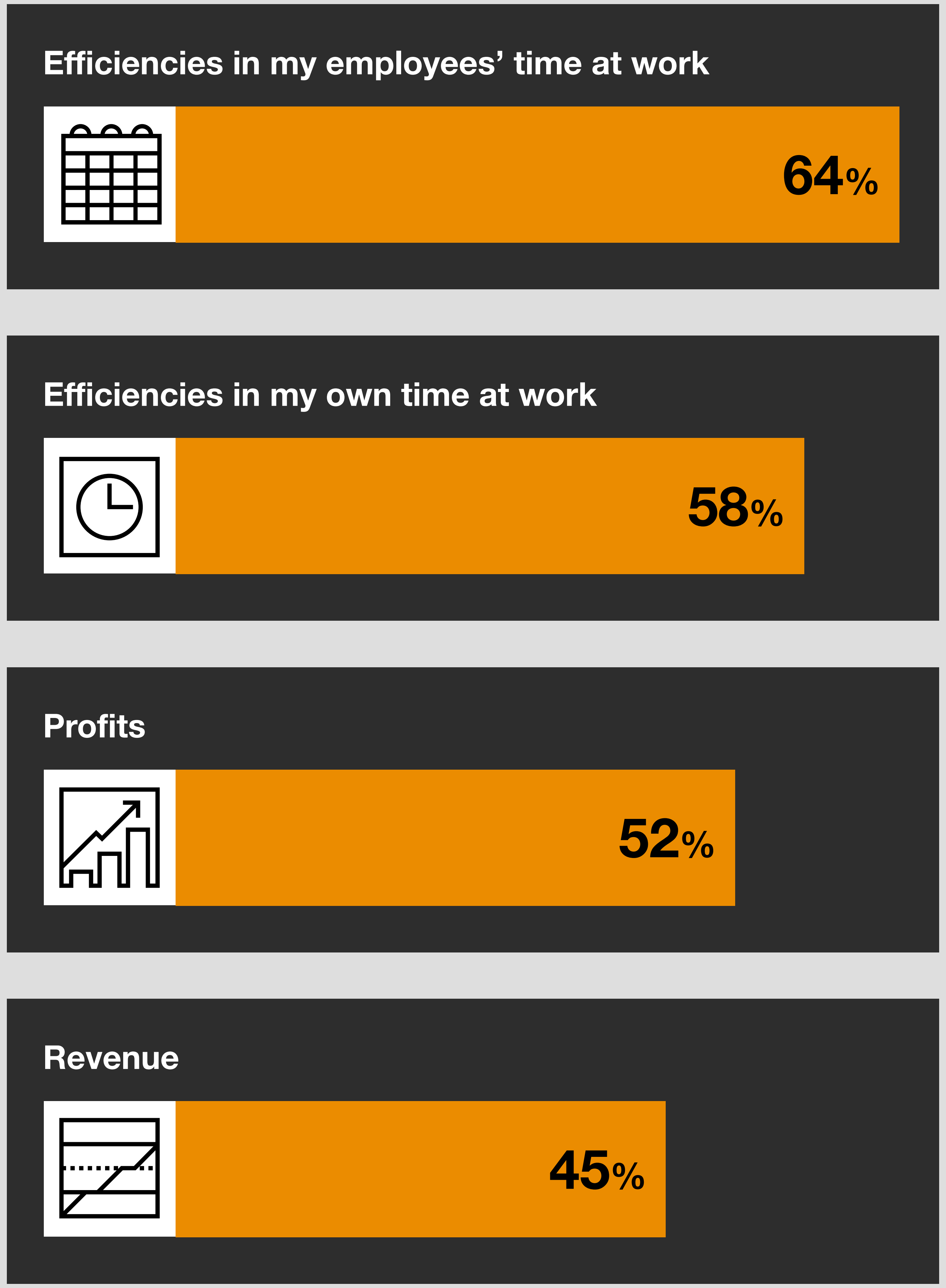
**25%**

of business services leaders believe that GenAI will help them reduce headcount by at least 5% or more in the next 12 months.

Adoption of AI can facilitate increased sophistication in portfolios, paving way for high-value and high-margin services. Furthermore, automation, data analytics and workflows can be standardised and streamlined through AI integration, allowing leaders to refocus on core capabilities and achieve operational efficiencies by increasing resource and employee productivity.

Source: PwC 27th Annual Global CEO Survey

### Percentage of business services CEOs that believe GenAI will increase the following in the next 12 months:



# Recruit and cultivate talent to meet evolving organisational needs

**Talent needs are evolving as business services companies reinvent how they deliver differentiated value**

23%

of business services CEOs believe that lack of skills within their workforce is an inhibiting factor to changing the way they create, deliver and capture value.

Source: PwC 27th Annual Global CEO Survey

As corporates navigate rapid technological advancements and growing sustainability demands, skilled talent is crucial. Companies, however, often face challenges with hiring and retaining talent with in-depth subject matter and industry knowledge. Attracting versatile, forward-thinking professionals is key to addressing these evolving challenges effectively.

As the business landscape evolves, upskilling and training for advancements in core offerings becomes vital. For example, facilities managers must adapt to AI-driven predictive maintenance and ethical sourcing. Wastewater professionals need skills in advanced monitoring systems as well as waste treatment practices, while security professionals need to be adept with tech-based vigilance solutions. Hiring tech-savvy candidates proficient in AI and sustainability helps companies stay competitive, innovate effectively, and address modern challenges with expertise.

71%

of business services leaders believe that GenAI will require most of their workforce to develop new skills in the next three years.

Source: PwC 27th Annual Global CEO Survey

Percentage of business leaders who have either planned or already progressed on upskilling/reskilling their workforce for climate-driven changes to their business model:

| No plans/ not sure | Planned but not started | In progress | Completed |
|---|---|---|---|
| 35% | 21% | 39% | 6% |

Source: PwC 27th Annual Global CEO Survey

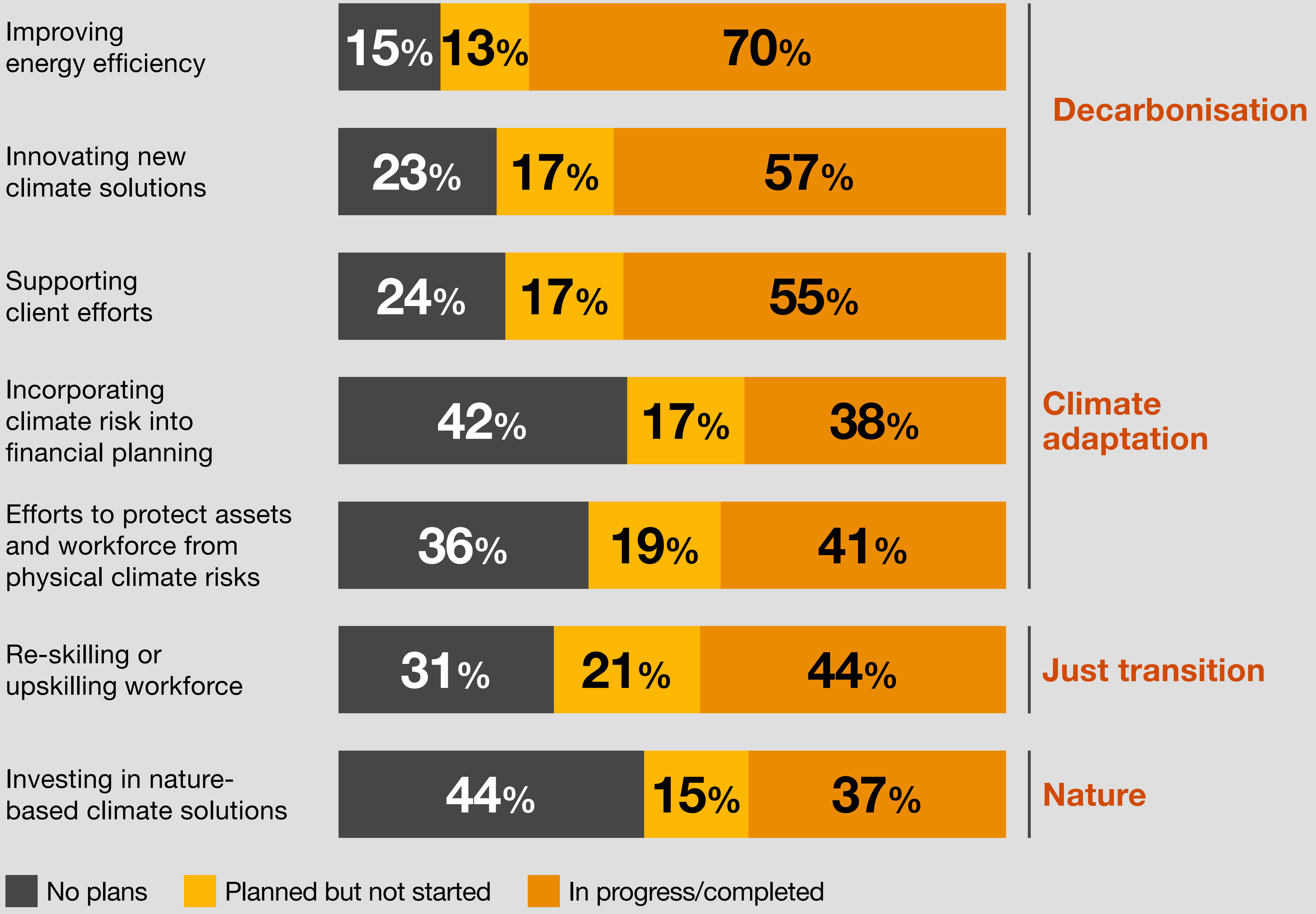
# Develop a strong climate mandate to stay relevant

## Develop a strong climate mandate to address changing consumer preferences, and government regulations and discover new growth opportunities

There is a growing importance of having a strong climate mandate in view of global developments and net zero commitments. Several business services companies have already undertaken efforts to improve energy efficiency and innovate new climate solutions, and support clients in their climate action journeys.

For example, some companies have, either through acquisitions or organically, developed capabilities in circular economy, offering efficient solutions for waste collection, recycling, and distribution, as well as moved towards sustainable sourcing for facilities management.

**The majority of business services companies have taken major action towards climate change, especially in decarbonisation and climate adaptation efforts:**



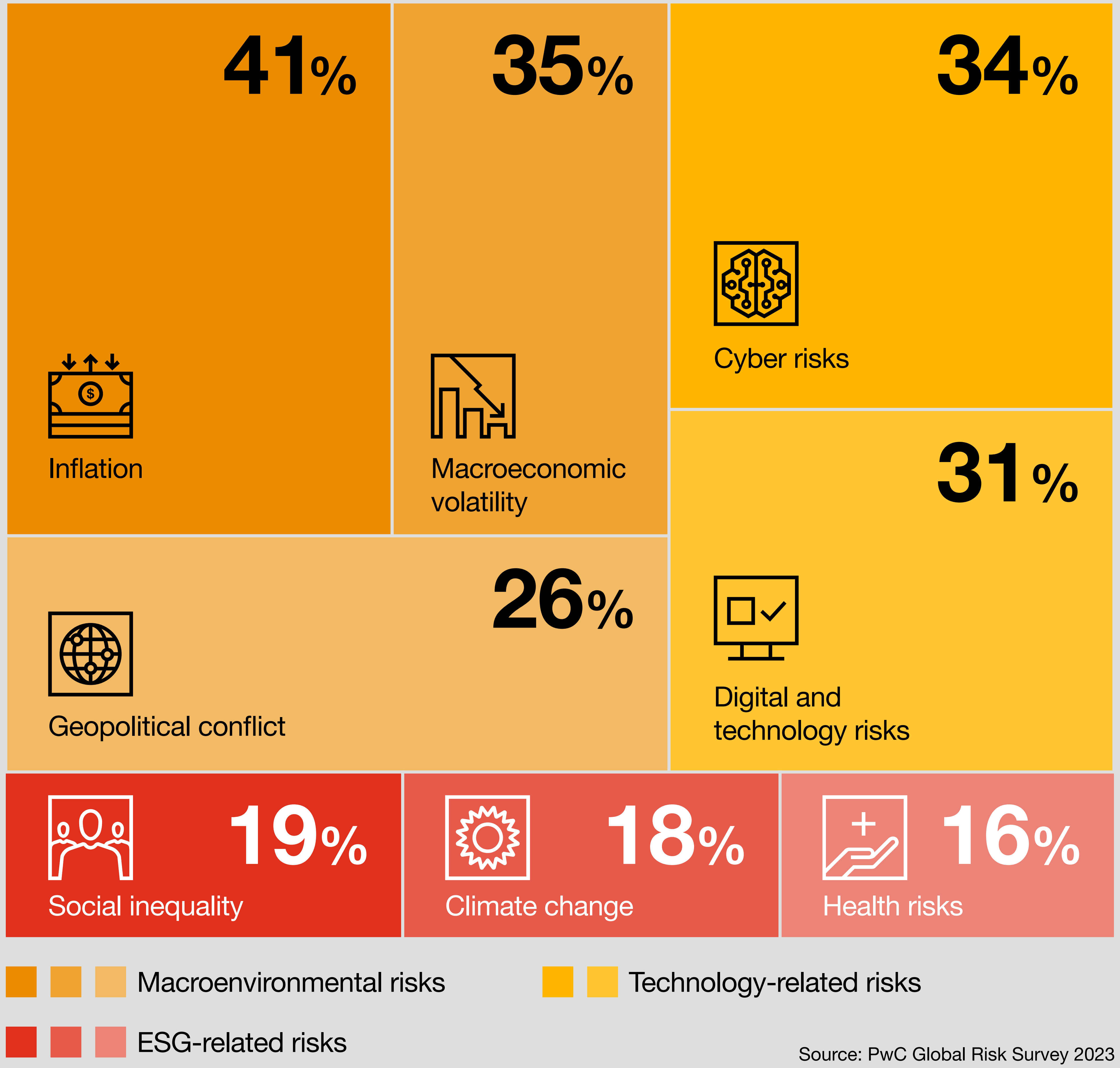

Source: PwC 27th Annual Global CEO Survey

# Build a thorough risk management practice to seize opportunities

**Reinvention comes with risk, however, built environment businesses must build a strong foundation in risk management practices to grow resiliently**

Effective risk management is crucial for stability and growth as it helps shape and guide the future trajectory of growth. It identifies and addresses threats like geopolitical tensions, which can disrupt supply chains; cyber risks, threatening data security; and climate change, impacting operations. By proactively managing these risks, businesses can safeguard assets, achieve regulatory compliance, and maintain operational resilience.

**Top risks that business services leaders believe their company to be most exposed to:**




Source: PwC Global Risk Survey 2023

## ESG-related risks

### Take a long-term view of climate risks and prepare your workforce for health risks

BES players must invest in technology to accelerate climate actions and support data collection and reporting. They should factor the financial materiality of physical and transitional climate risks into the company's bottom-line, and impact on supply chains in the long term. Companies can leverage the energy transition for cost savings from lower consumption needs and seize opportunities for growth in new segments.

**61%** of business services companies have invested in digital communication tools to support business continuity in the event of a pandemic.

Establish flexible working arrangements and digital communication tools for remote working to enable business continuity in case of global pandemic or other disruptive events.

Source: PwC Global Risk Survey 2023

## Macroenvironmental risks

### Use predictive risk management capabilities alongside advanced technology and data, and strengthen supply networks

BES leaders can integrate existing data analytics capabilities with enterprise resource planning platforms to proactively identify risks in critical areas: IT, supply chain, workforce sentiments, among others. They can also diversify their footprint for operational continuity in the event of global crises.

**10%** of business services CEOs are exploring or have just started using technology and data for risk management.

**49%** of business services companies have invested in network expansion in the last 12 months for strong supply chain resilience.

Source: PwC Global Risk Survey 2023

## Technology-related risks

### Upgrade critical systems to safeguard against cyber attacks and establish protocols for incident recovery

To thrive in today's digital landscape, technology-related risks must be strategically mitigated. This entails investing in cutting-edge cybersecurity measures, continuously updating systems, and fostering a culture of digital vigilance. By conducting proactive risk assessments and implementing thorough data protection strategies, firms can safeguard their operations and fortify client trust.

**Percentage of business services leaders who have invested in upgrading their cyber systems in the last 12 months:**


Source: PwC Global Risk Survey 2023

### Link responsible GenAI to the business strategy

Organisations also need to consider the impact of GenAI on data protection, cognitive biases, and workforce implications. Embracing responsible AI practices aids in the responsible use of technology, promoting transparency and fairness while protecting stakeholder interests.




# In conclusion…

## Sub-sectors within built environment services have been exposed differently to the pandemic and have therefore, adopted different routes to tackle the challenging market landscape

Facilities and real-estate management businesses continue to bet strong on commercial segments to drive growth and profitability, while residential demand remains stunted. Security solution providers, despite a flat revenue trend, have seen a tremendous bottom-line improvement, thanks to tech-enabled security solutions. Waste management companies are becoming increasingly consolidated, with leading players expanding across the value chain to provide a full suite of services. Across these sub-sectors, key priorities for success revolve around customer acquisition, portfolio diversification and enhancements of technological capabilities.

### Business Services Enabling Differentiated Growth for Industrial Players

In addition, the overall business services industry, including the BES sector, can play a crucial role in supporting industrial companies aiming for differentiated growth.

With this, organisations can focus more on core activities and innovation as well as access advanced technologies and best practices that drive efficiency and competitiveness.

To know more, download the **Business Services Enabling Differentiated Growth for Industrial Players** report.

### Key contacts

**Mark Anderson**
Global Business Services Leader,
PwC United Kingdom
mark.r.anderson@pwc.com

**Coolin Desai**
Partner, Deals,
PwC United Kingdom
coolin.desai@pwc.com

**Charles Michalowski-Cummings**
Director, Deals (Strategy&),
PwC United Kingdom
charles.f.michalowski-cummings@pwc.com

# Appendix

# Methodology

## I. Overview

- This report presents an outside-in view of the Business Services industry and the performance across 8 key sectors: (i) Logistics and Distribution, (ii) Business Process Outsourcing, (iii) Testing, Inspection and Certification, (iv) Human Capital Management, (v) Digital and Education Services, (vi) Built Environment Services, (vii) Legal Services; and (viii) Professional Services
- The performance of each sector is measured by the **'Sector Index Score'**, which has been developed based on an analysis of key metrics for a sample set of companies. This score considers 4 key dimensions and 8 metrics (2 metrics in each dimension), as outlined below:
  - **Growth** – (i) Revenue; (ii) EBIT
  - **Profitability** – (i) Gross margin; (ii) EBIT margin
  - **Productivity** – (i) Revenue per employee; (ii) Asset turnover
  - **Cash flow** – (i) OCF ratio; (ii) Quick ratio
- A sample of 30 companies has been considered for this sector, and they have been selected based on multiple factors including size, geographic presence/coverage, availability of information, etc
- The **Global Business Services Index** is based on an aggregate of the 8 sector indices (considering a total sample of 247 companies)

## II. Index calculations

1. **Time period and baseline –** The index calculation is based on company data for both 2023 (FY23) and 2019 (FY19), the latter being considered as a baseline and assigned a score of 100
2. **Metric scores**
   - Actual values for each metric were compared between 2019 and 2023 to derive a **ratio**
   - The ratios were aggregated across all 30 companies to arrive at an **aggregated ratio** (to avoid larger-sized companies skewing the results)
   - **Metric scores** are calculated by multiplying the aggregated ratio by 100
3. **Dimension scores**
   - The dimension score is an **average of the metric scores** for metrics included in the respective dimension:
     - i.e., Dimension score (Growth) = Average [Metric score (Revenue), Metric score (EBIT)]
4. **Sector scores**
   - The sector score is an **average of the dimension scores**:
     - i.e., Sector score = Average [Dimension score (Growth), Dimension score (Profitability), Dimension score (Productivity), Dimension score (Cash flow)]
     - If the sector score >100, it outperformed against the 2019 benchmark
     - If the sector score = 100, results were at par with 2019
     - If the sector score <100, it underperformed against the 2019 benchmark

## III. Key sources

- The key sources referred to throughout the report include the following:
  - Company websites and annual reports
  - Databases such as S&P Capital IQ, Bloomberg, EMIS
  - Company registrar portals such as Companies House (UK), Securities and Exchange Commission (US)
  - PwC 27th Annual Global CEO Survey
  - PwC Hopes and Fears Survey 2024
  - PwC Global Risk Survey 2023
  - PwC Global Pulse Survey 2024

pwc.com