

Global Business Services Index Annual Report 2024

Digital and Education 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.

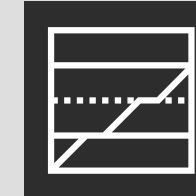
46%

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

76%

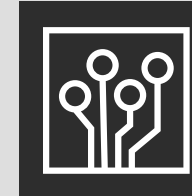
of business services CEOs have changed the way they create, deliver and capture value.

Source: PwC 27th Annual Global CEO Survey



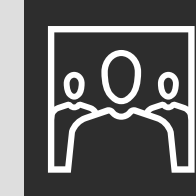
Macroeconomic Megatrends

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, digital and education services firms experienced strong growth and improved profitability

The sector's index score is 118 (normalised to the base year of 2019 = 100), with the greatest improvements recorded in the growth and profitability dimensions, mainly due to an increase in online education, growing need for upskilling, as well as continued demand for data analytics and intelligence. While cash positions have improved given optimised capital structures, productivity initiatives have focused mostly on operational efficiency, and only proportionately improved revenue growth.

Business expansion and profitability have been key priorities for the sector, driving diversification in both geographic footprint as well as service portfolios, as the business landscape evolves.

Index Score

118
Base year (2019) = 100

Digital and education sector performance, by dimension:

Growth **150**

Business services industry average 142

Digitisation of educational content, career-focused upskilling, and ever-growing demand for data and intelligence are driving growth.

Profitability **117**

Business services industry average 109

With higher top-line growth, the education segment saw a higher margin improvement from digital content and recurring business, while data businesses witnessed higher costs associated with increasing scale.

Productivity **98**

Business services industry average 102

Overall, productivity took a slight downturn owing to investments in technology and acquisitions to enhance service capabilities.

Cash Flow **105**

Business services industry average 105

Working capital requirements for expansion and investment in technology assets have impacted capital structures; overall averages for liquidity ratios have also decreased.

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 and providing sustainability-related offerings to clients.

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

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



Technology

Leverage technology for growth and operational efficiency

Firms are investing in cloud-based technology to improve operational efficiency and to provide more sophisticated tech-enabled service offerings. Education technology companies, in particular, have been growing their digital training and upskilling content as demand for online learning grows.

Data providers have also integrated AI and use tools such as chatbots and automated pricing solutions to facilitate growth.



Talent

Recruit and cultivate talent to meet evolving organisational needs

New and more skilled talent will be necessary to drive AI and cloud-based initiatives. Organisations need to invest in training and upskilling initiatives to support the development of their workforce, and to drive further productivity and growth.

Aside from leveraging global operating models, a more productive workforce will help in driving better bottom-line growth.



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



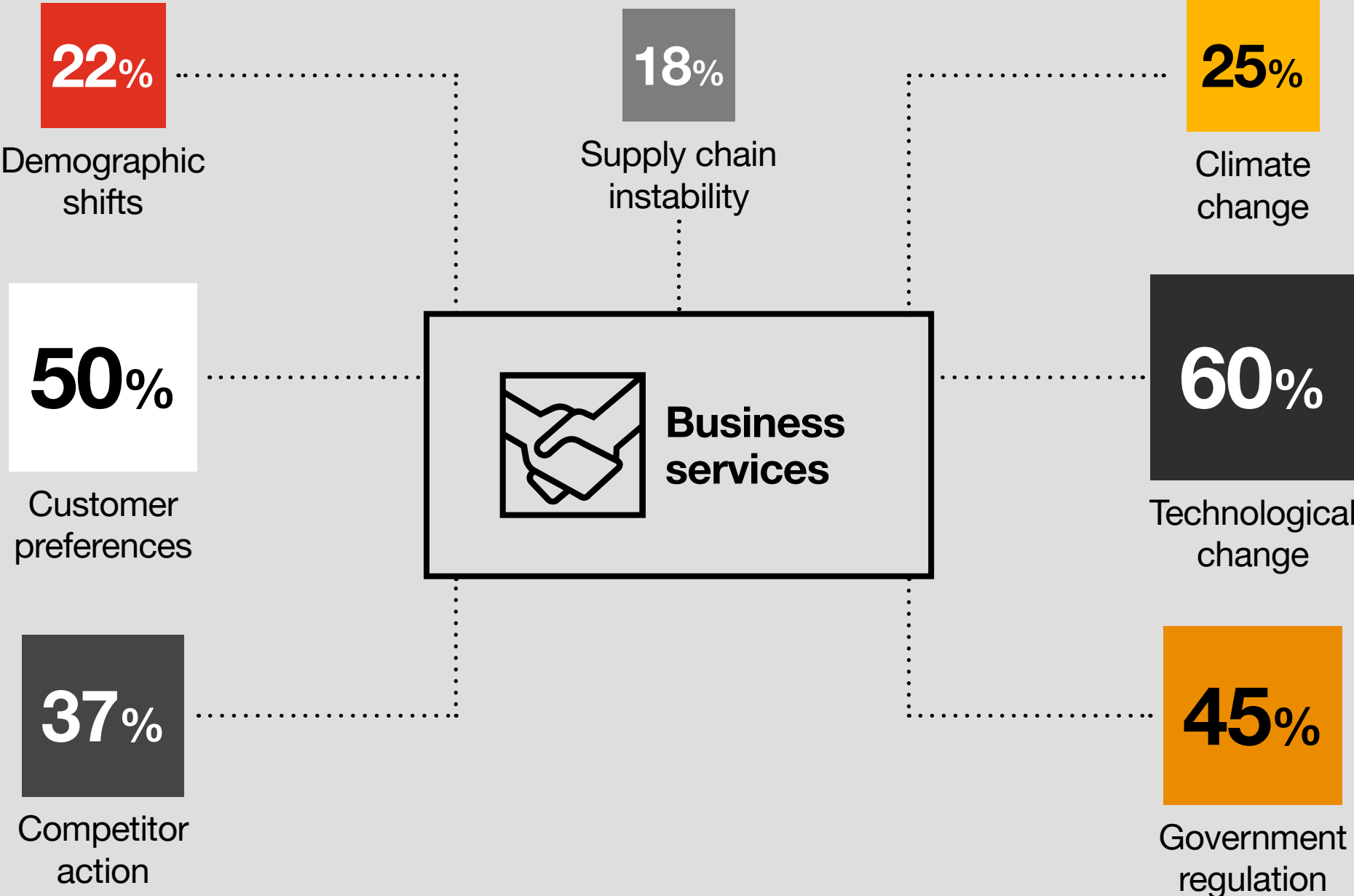
global business services CEOs believe their company will be highly or extremely exposed to inflation in the next 12 months.

Source: PwC 27th Annual Global CEO Survey

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

By offering differentiated services, 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, digital and education service play a crucial role in helping companies respond to Megatrends and foster growth...

Digital and education (D&E) service providers are supporting businesses in their transformation efforts via a wide range of offerings.

Data providers, for instance, offer essential analytics and intelligence that allow for data-driven decision making while adopting growth strategies, and provide a detailed view of market dynamics.

Providers of education services offer targeted and specialised training and upskilling resources, that are critical to an organisation's workforce development.

In particular, education technology (EdTech) companies provide flexible and customised digital learning resources that are imperative for in-demand skills such as AI, cloud, and data analytics, as companies become more tech-enabled.

...but there is an increasing need for digital and education service providers to transform their own businesses and deliver value to their clients

As the global business landscape has undergone a massive transformation towards digitalisation during the pandemic, the demand for digital services has surged. To diversify their service portfolios towards differentiated offerings, D&E leaders are looking to build capabilities in niches such as environmental, social, and governance (ESG) data reporting or developing targeted digital curricula.

Further, less-mature markets with high growth potential can be attractive expansion targets for companies looking to scale, due to relatively low barriers.




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.

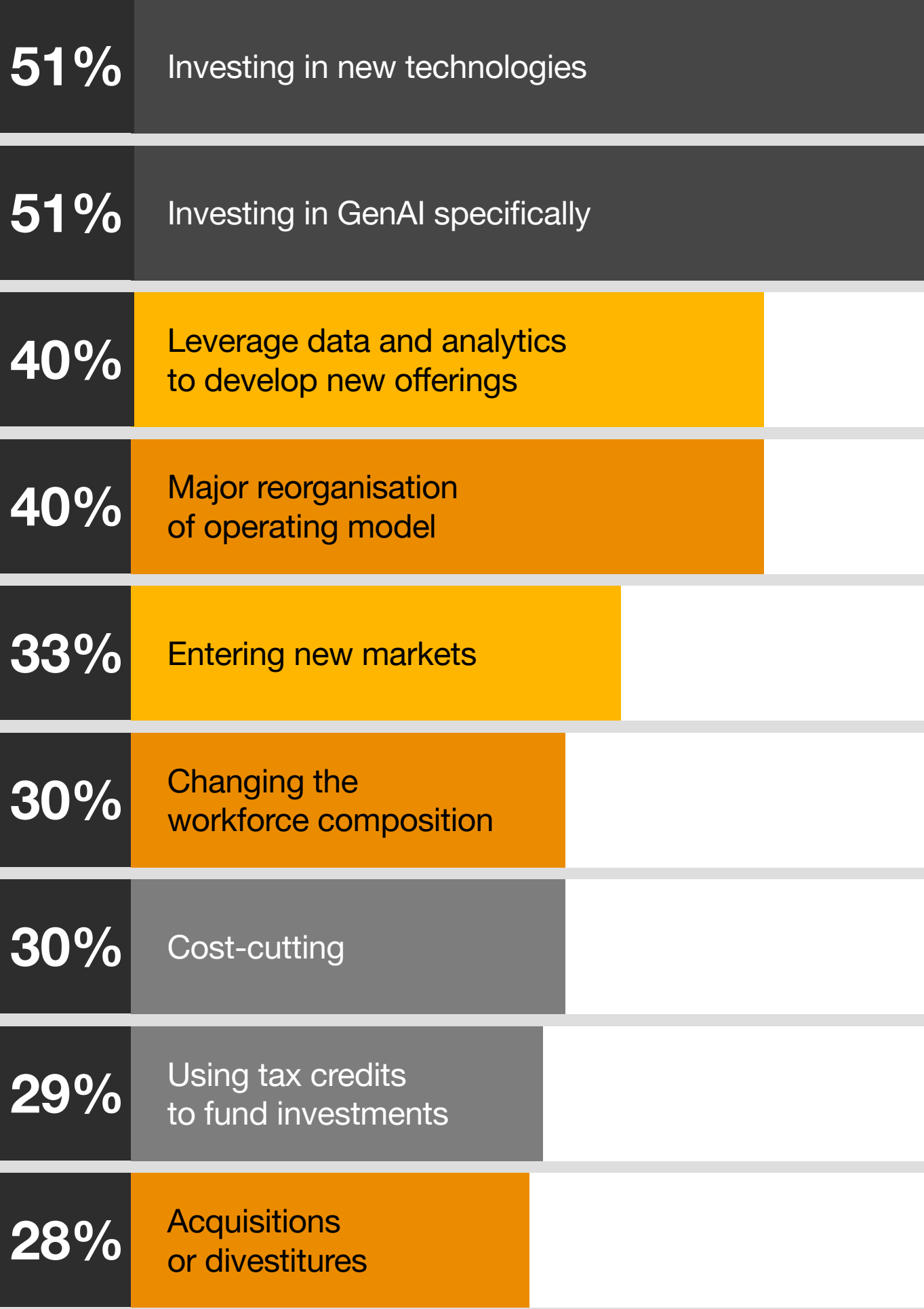
 **Expand into new markets and customer segments, develop new service offerings**

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 a top strategic priority for their company in the near future:



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.

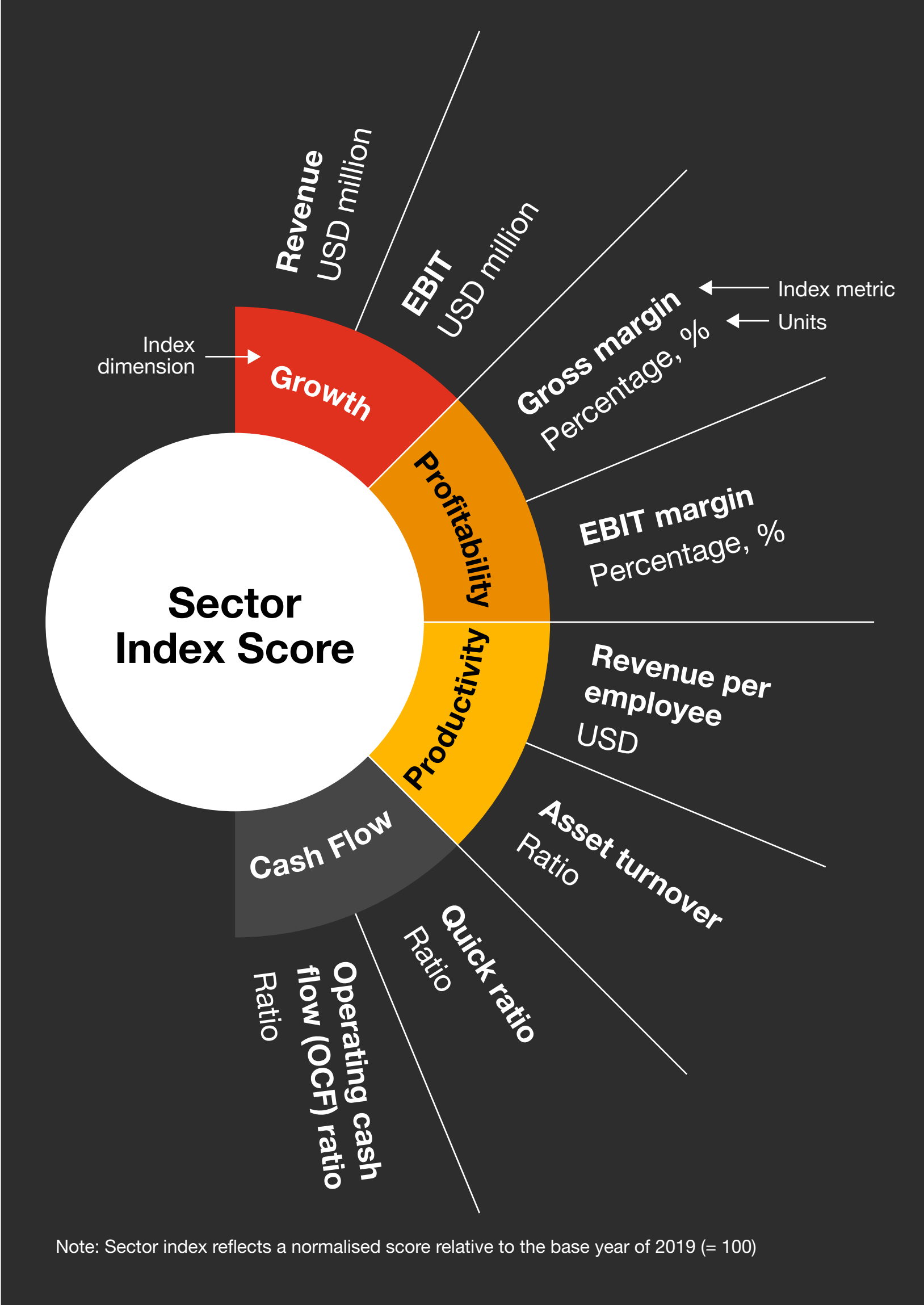
An index for business services can serve as a strategic tool for benchmarking, allowing business leaders to compare their own performance against industry peers and identify areas for improvement

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.



02

Sector Index



Digital and education sector at a glance



Education services

Providers of learning and upskilling services, excluding institutes and universities.



Data providers

Providers of data and specialised digital services.

Overall, the D&E sector experienced high growth while maintaining profitability

The sector's index score is 118 (normalised to the base year of 2019 = 100), with growth and profitability dimensions primarily driving the score. Organic growth was driven by increased enrolments after the COVID-19 pandemic, the need for upskilling, as well as continued demand for data analytics and intelligence.

Productivity initiatives have focused mostly on operational efficiency, which did not significantly improve top-line revenue growth or asset turnover ratios. Cash positions have improved given optimised capital structures.

Business expansion and productivity improvement remain key focus areas for D&E companies

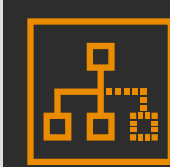


Diversification

As North American and European markets mature, education service providers have been looking towards high-growth Asian markets.

Data providers have also expanded their service capabilities to provide targeted data analytics and intelligence, given increased reporting requirements.

Building capabilities in-house or investments in acquisitions and strategic partnerships have proven to be successful ways to expand.



Restructuring

Data providers are leveraging their global operating models to optimise their workforce strategy, capitalising on lower-cost markets in South America, emerging Asia, and Central and Eastern Europe.

Education businesses and data providers are investing in AI and cloud-based technology to enhance their operational efficiencies, primarily through automation.

Score for base year 2019 = 100



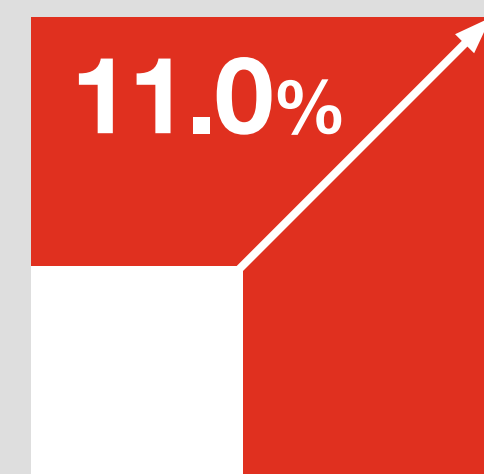
... = 100 (base score for each dimension with 2019 as reference year)

Growth

Dimension Score: **150**

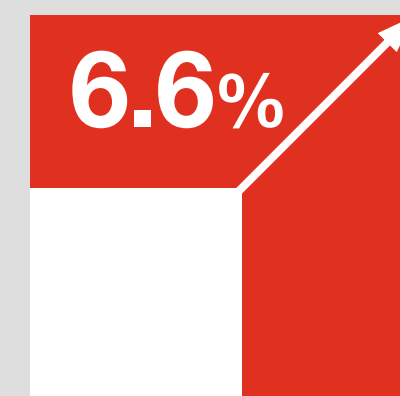
Digitisation of educational content, career-focused upskilling, and ever-growing demand for data and intelligence are driving growth.

Avg. revenue growth, %
(CAGR 2019-23)



■ 2019 ■ 2023

Avg. EBIT growth, %
(CAGR 2019-23)



A majority of firms experienced high growth, driven by resumption in offline education after the COVID-19 pandemic, growth in online learning, and growing data and sustainability reporting needs

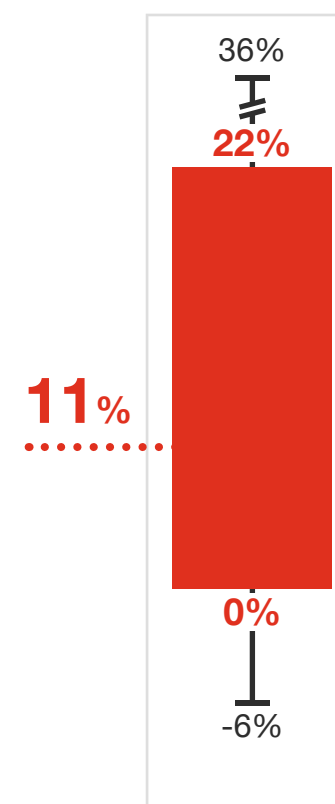
The education service segment experienced strong growth given a surge in demand as children returned to classroom learning post the COVID-19 pandemic, normalising in 2023. Online and career-based learning saw a faster growth with higher demand for specialised skills.

Declining population numbers in traditionally high-growth markets, such as Japan, are pushing education companies to move from offline children education to online adult courses, and expand into other Asian markets.

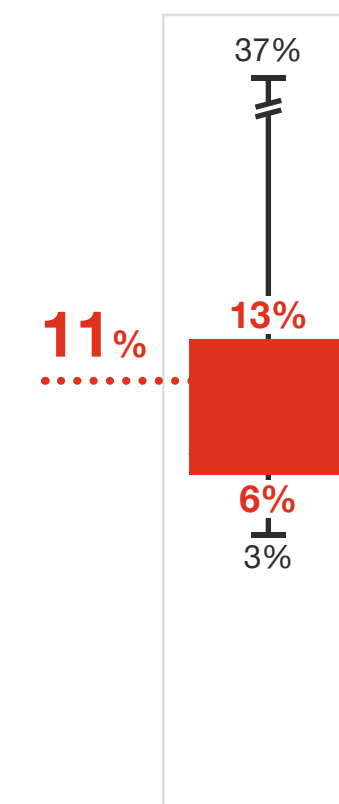
Supported by in-house investments or acquisitions, data providers saw strong demand for intelligence and data analytics, especially for targeted segments such as automotive, energy and sustainability.

Revenue growth, % (CAGR 2019-23)

Education services

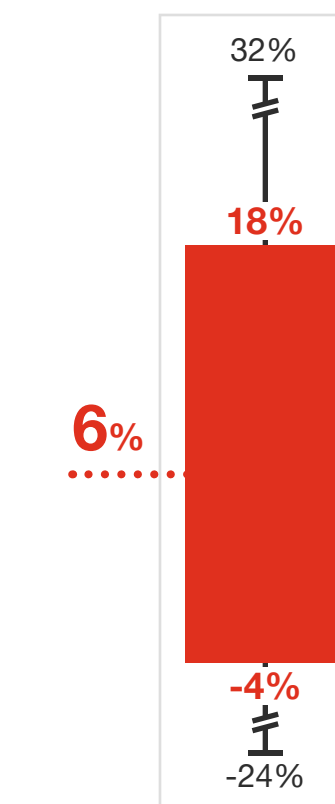


Data providers

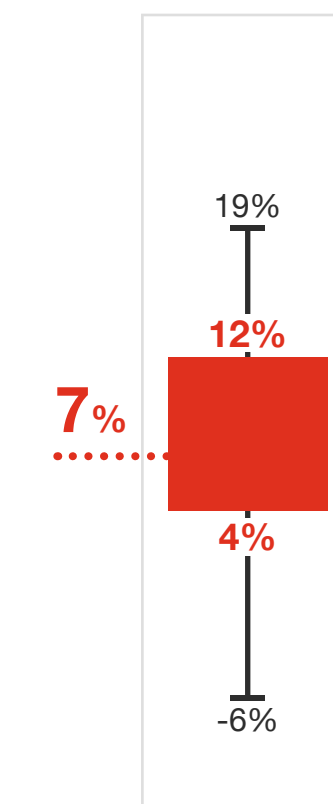


EBIT growth, % (CAGR 2019-23)

Education services



Data providers



Key: ... Average Interquartile range 25%-75% Minimum/Maximum

Subscription-based models for growth proved sustainable and scalable for most firms across both sub-sectors

Using varied content developed through partnerships with government, universities and corporates pushed education service providers to offer both on-demand and subscription-based models, driving flexibility, customer retention, and recurring revenues.

While most data providers are already doing this, it has helped the sector scale while allowing for more flexibility for their customers, leading to significant organic growth.

EBIT growth was relatively slower given higher investments in building up internal software capabilities and content, also driving up amortisation costs

Many education companies had higher amortisation due to capitalised internal-use software costs, as well as royalty expenses for the content published, to meet the growing demand for physical and online learning resources.

Data businesses also incurred software subscription costs as many players shifted to cloud-based technology and delivery systems. These inevitably had an impact on EBIT growth.

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

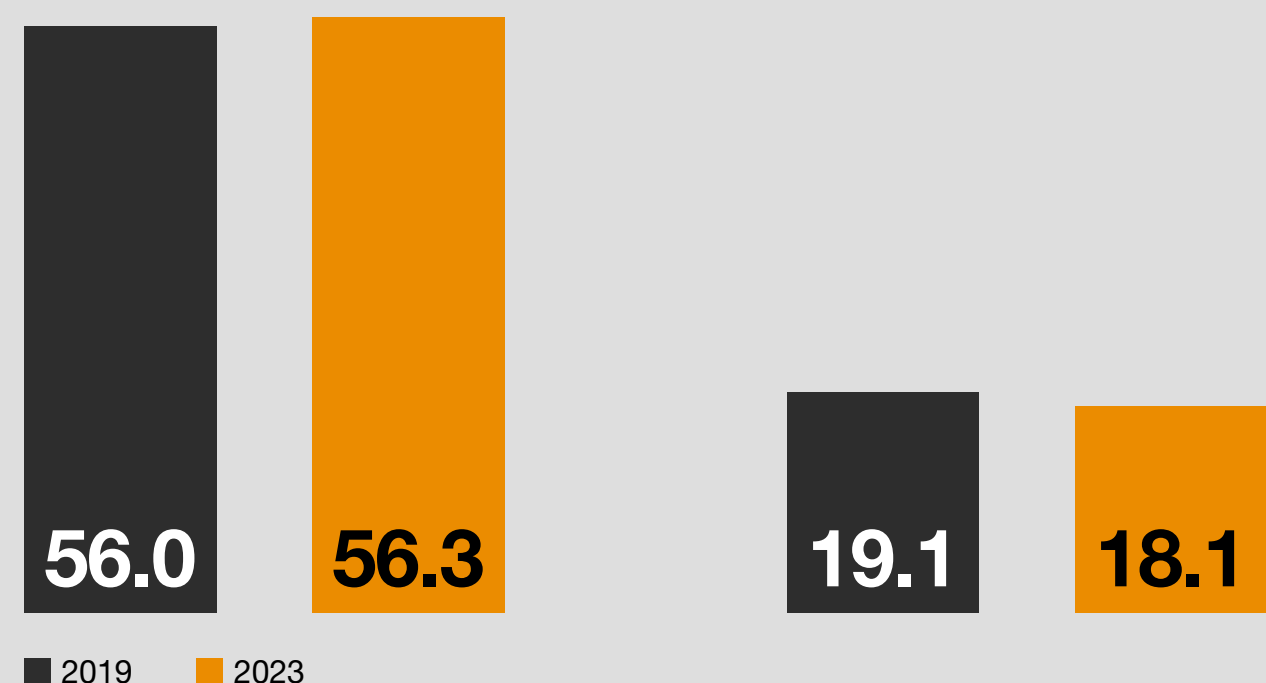
Profitability

Dimension Score: **117**

With higher top-line growth, the sector saw steady margins owing to higher costs associated with increasing scale.

Avg. gross margin, %

Avg. EBIT margin, %

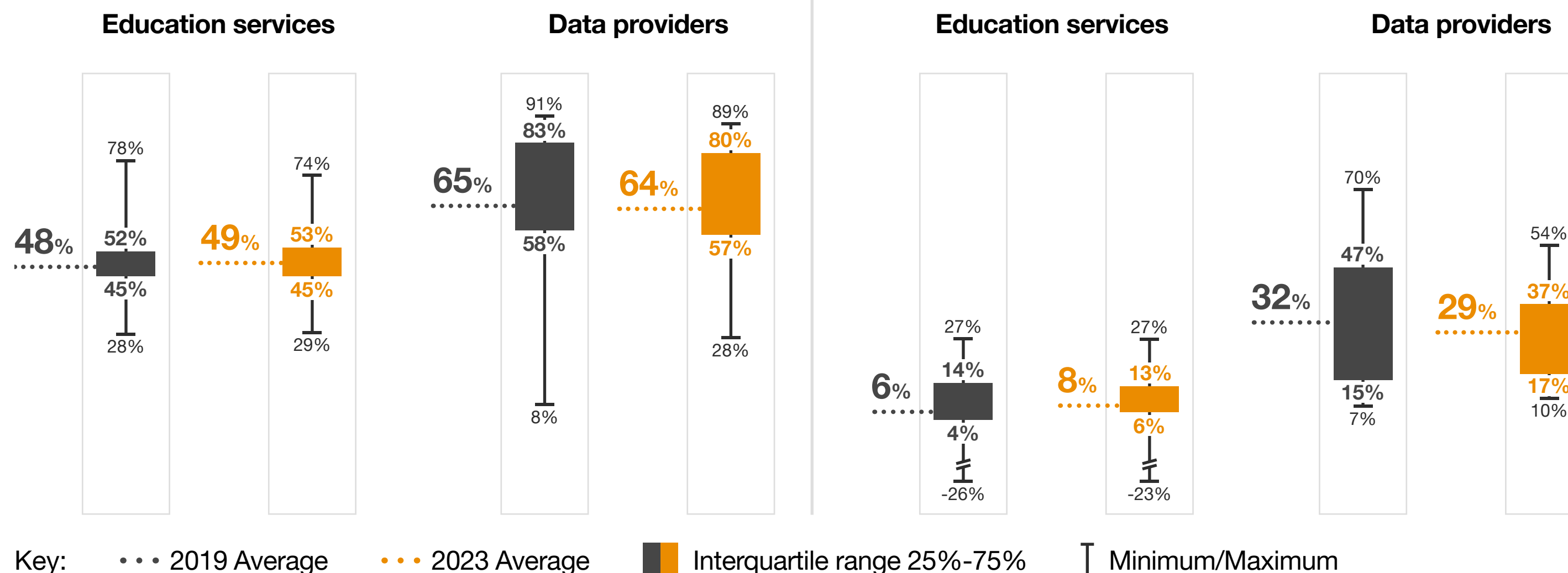


Most companies maintained margins as higher revenues led to proportionate increases in costs

Average gross and EBIT margins remained relatively flat. As the sector continued to grow and scale, businesses were exposed to higher cost of services, including but not limited to technology and software costs, content and marketing costs, as well as customer support and material costs, among others.

Gross margin, %

EBIT margin, %



Global firms benefitted from higher demand in the less mature APAC regions, providing more room for both revenue and margin improvements

As North American and European markets mature, EdTech players are tapping into high-growth Asian markets, offering a global curriculum while capitalising on opportunities for more favourable pricing and profitability in less competitive markets.

However, to support this growth, aside from increased cost of revenue, companies have also incurred additional subcontractor costs for services such as advisory or digital implementation, partially offsetting margin improvements.

While generally benefiting from higher margins, R&D and long-term investments had an impact on margins for data providers

Data providers have generally been more profitable owing to their higher demand, scalable operations, low marginal costs and ability to provide value added services and specialised datasets.

This segment incurred higher staff costs including salaries, benefits and compensation. With the shift to cloud computing, there were also increased costs from cloud usage fees, software costs, and vendor costs impacting margins.

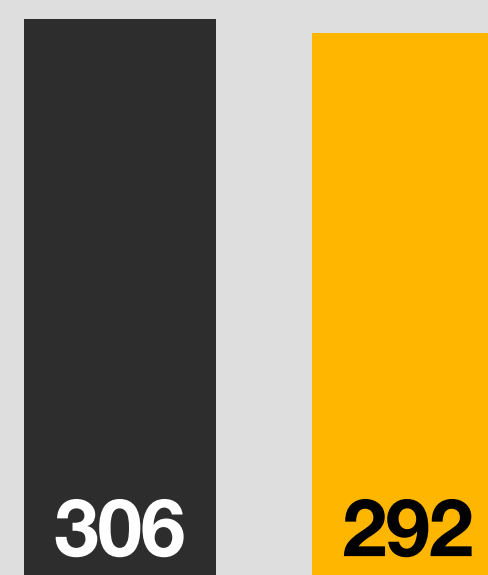
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Productivity

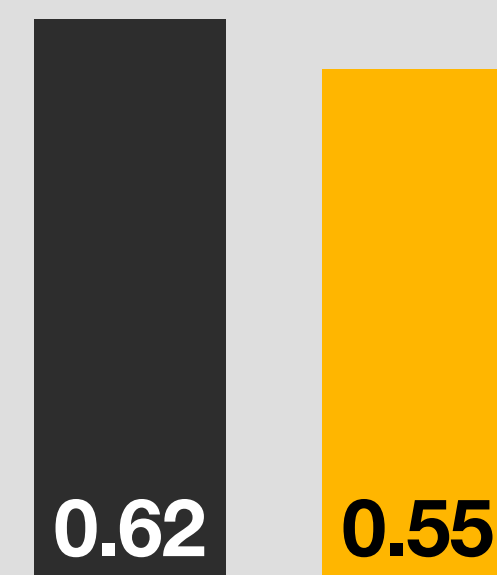
Dimension Score: **98**

Overall, productivity took a slight downturn despite investments in software and acquisitions to enhance service capabilities.

Avg. revenue per employee, \$000



Avg. asset turnover ratio



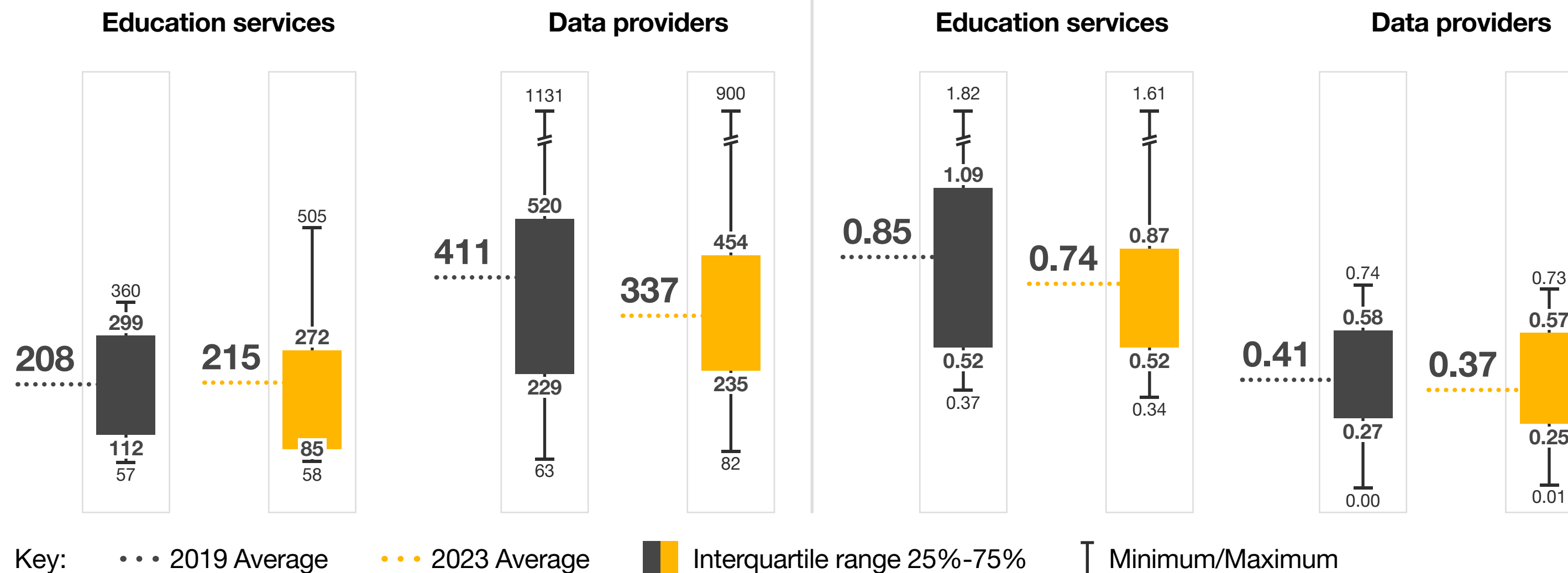
■ 2019 ■ 2023

Revenue per employee remained steady despite increased headcount; however, asset ratios declined marginally

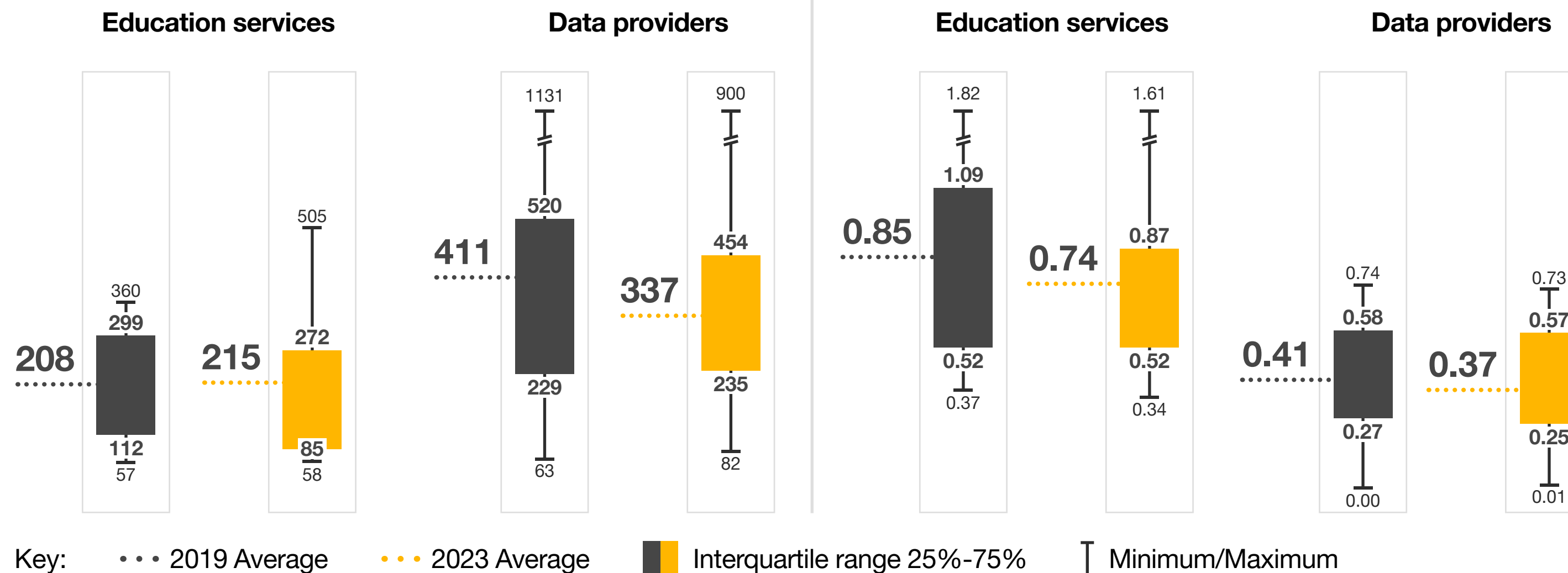
Headcount increases have kept pace with growth in revenues, keeping revenue per employee steady for education firms. However, new talent to support AI and cloud-based initiatives and integration of acquisitions have driven headcount for many data providers, adversely impacting employee turnover.

Underutilisation of physical assets, especially in the classroom education segment, during the COVID-19 pandemic has impacted asset turnovers.

Revenue per employee, \$000



Asset turnover ratio



Key: ... 2019 Average ... 2023 Average ■ Interquartile range 25%-75% I Minimum/Maximum

Organisations are undertaking efforts to enhance employee productivity through GenAI integration and outsourcing

The sector has incorporated generative AI to enhance user experience and streamline repetitive processes through the likes of AI chatbots and automated pricing solutions.

Seeing high employee costs, some data players are optimising their workforce expenses by leveraging global operating models, and considering lower cost locations such as South America, emerging Asia, and Central and Eastern Europe.

Education businesses are downsizing their physical assets, while data providers are prioritising cloud-based assets to improve process efficiency

Several education service providers have restructured their asset portfolio, including downsizing their underutilised education facilities.

Data companies have leveraged cloud-based technology to improve operational efficiency, in terms of data-driven operations, pricing and customer support, but these have had no major impact on revenue yet, leading to relatively flat asset turnover ratios.

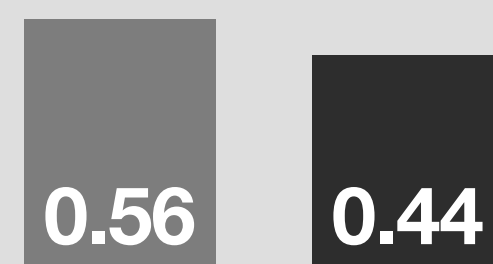
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Cash Flow

Dimension Score: **105**

Few businesses have seen marginal improvement in their capital structures; overall averages for liquidity ratios show decreases.

Avg. OCF ratio



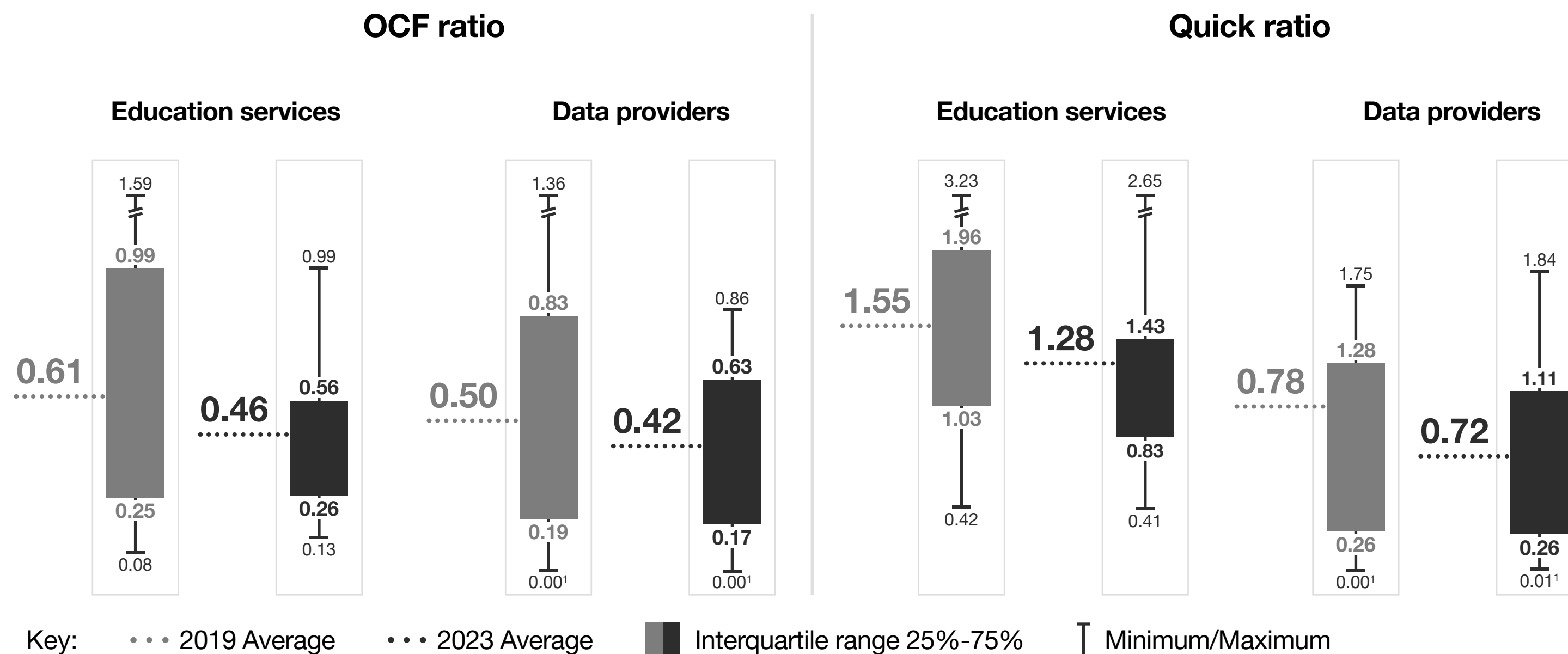
■ 2019 ■ 2023

Avg. quick ratio



Freed up cash from sale of underutilised assets has been reallocated to fund digital expansion

The observed shift in service portfolios from physical to digital solutions has led organisations to reevaluate their asset structures and reallocate capital tied up in physical education centres towards building up digital capabilities.



Despite increasing profitability levels, growth in incurred short-term debts has outpaced cash generation

Although companies have improved their profitability levels, losses incurred from discontinued operations during the pandemic put pressure on net incomes and thus, cash generation.

The accelerated transition from physical to digital service offerings in EdTech has increased additional short-term debts and payables to fund restructuring.

Notes: 1. Stock exchange companies show extremely low OCF and quick ratios, due to a majority of current assets and cash balances being classified as restricted cash or equivalents.

Most firms are managing cash balances effectively, reflecting in healthy quick ratios

Companies within the education segment are boasting high quick ratios, mainly due to an improved volume of receivables from recurring subscription payments.

Data providers have been following a disciplined approach to capital allocation, causing quick ratios to remain flat between 2019 and 2023.

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

Transformative initiatives around expansion and productivity are key levers for digital and education technology companies...

Firms have transitioned from traditional, physical channels towards integrated, digital modes of service delivery

- The reduced demand for in-person education solutions during the pandemic has prompted businesses to digitise their learning content
- These digital solutions allow for flexible pricing models such as platform subscriptions or pay-per-use that allow firms to capture top-line growth
- In addition to the digitalisation of physical resources, firms are fostering interconnectivity across verticals to bundle products and solutions

Success story

A leading provider of education services and resources has expanded its portfolio of online offerings through digitalisation and development of in-house capabilities

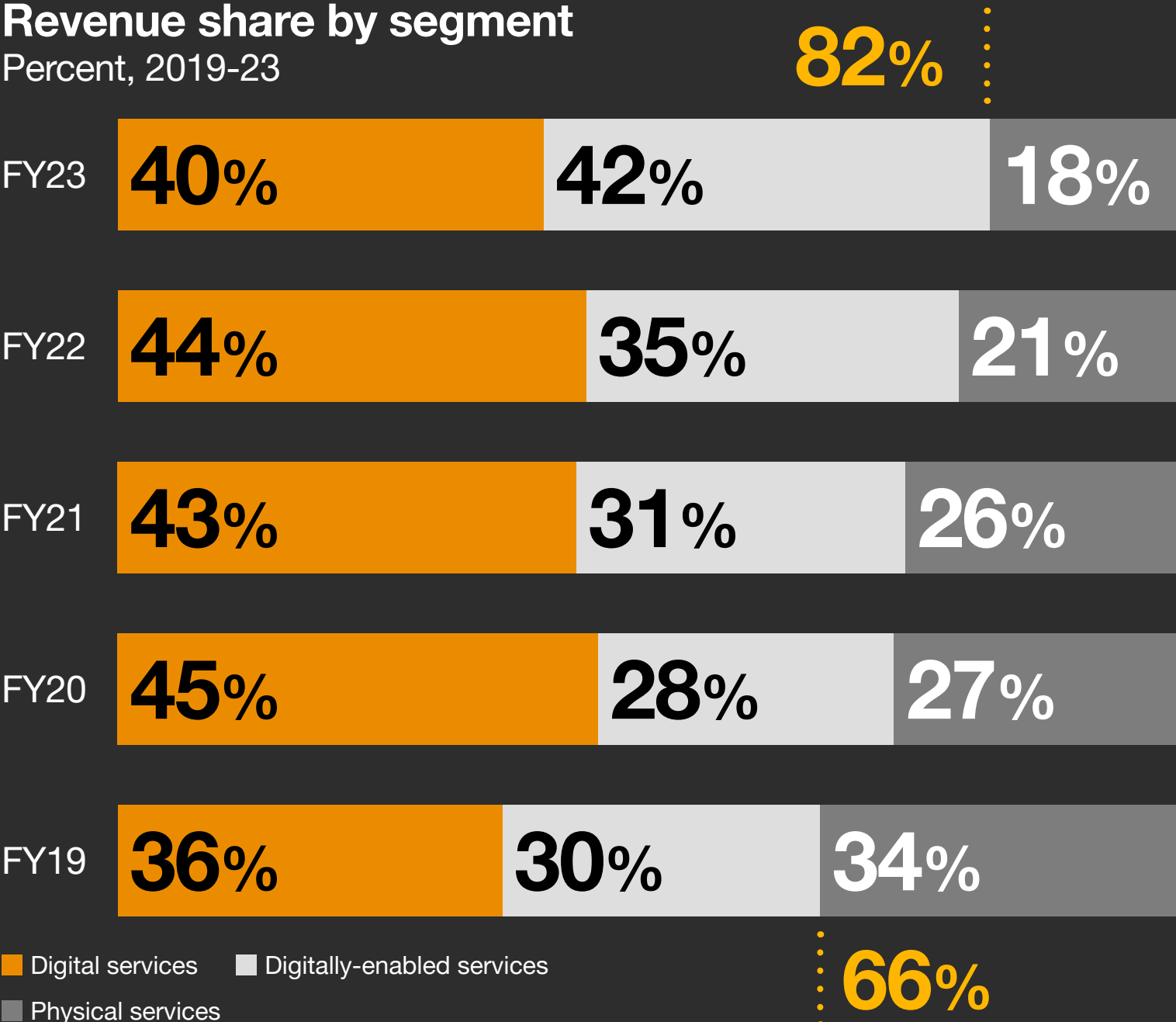
Responding to a massive demand for digital education solutions during the pandemic, the firm quickly **transformed its service portfolio towards digital content** supplementing physical textbook resources.

By consolidating digital offerings such as language learning tools and mobile applications via an **integrated platform**, it was able to capture **cross-selling synergies** to unlock higher growth momentum.

As a result, revenues from digital and digitally-enabled services such as subscription-based learning platforms and applications have been growing significantly, **accounting for over 80% of total sales in 2023.**

Source: Company annual reports, PwC analysis

Revenue share by segment
Percent, 2019-23



...to support their top- and bottom-line growth moving forward

Organisations are increasingly focusing on optimising cost structures and improving bottom-line figures

- Firms are employing AI for process automation to reallocate human resources to functions directly contributing to growth
- Transitioning to cloud-based infrastructure enabled companies to improve internal efficiencies and reduce overhead costs
- For some of the non-core functions that cannot be automated yet, firms are also leveraging global delivery centres to optimise labour costs, thus improving margins

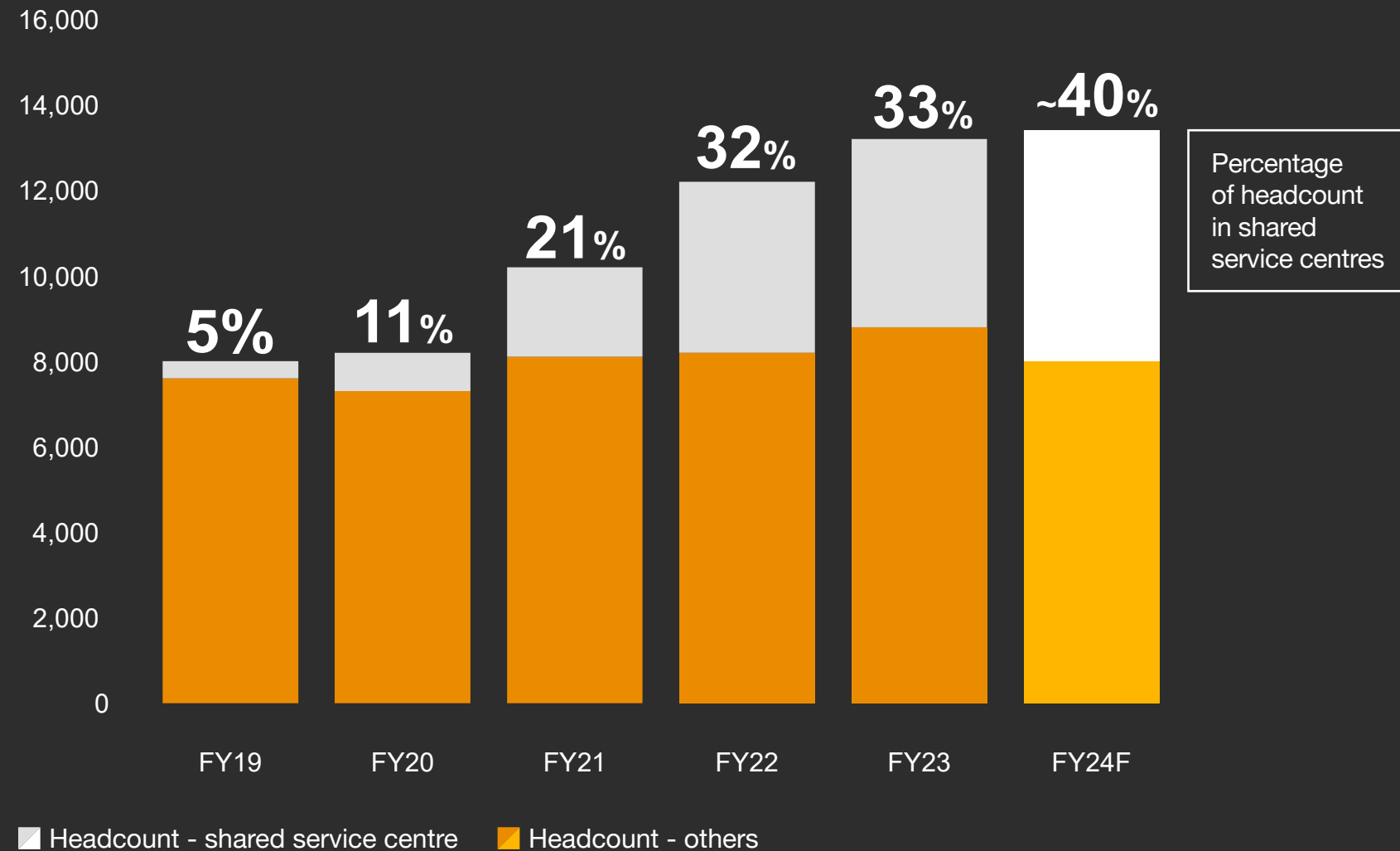
Success story

A global leader in data services is optimising its personnel costs and moving headcount to shared service centres to achieve favourable margins

To capture labour cost arbitrage opportunities and optimise margins, the firm has been **outsourcing back-end roles** across finance, HR, IT and customer support functions to low-cost destinations across Asia, South America and Africa.

Moving forward, the company aims to increase the scale of these shared service centres by more than 1000 additional roles over the next year.

Headcount share by function 2019-24F



Source: Company annual reports, PwC analysis

03

Priorities for success

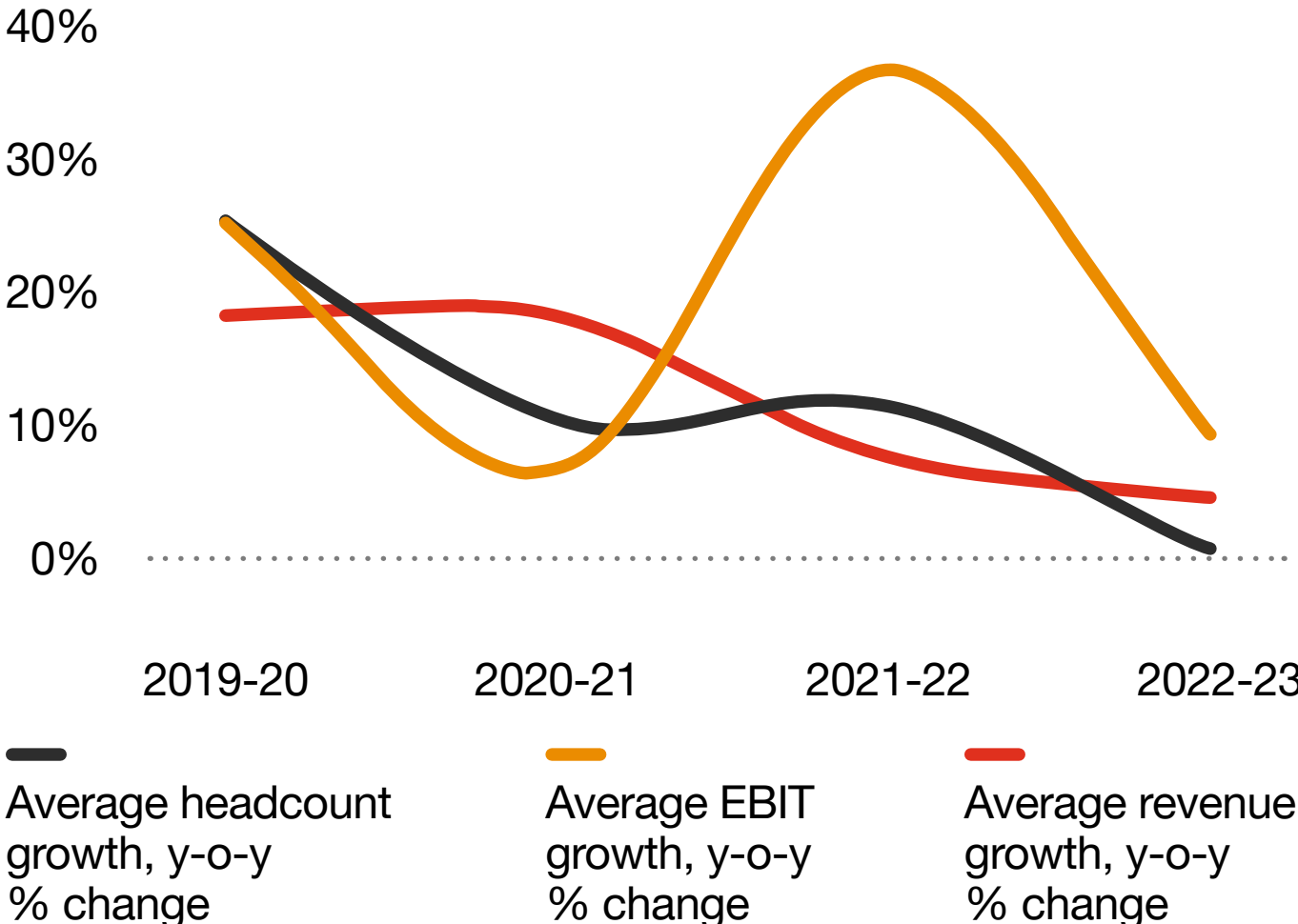


Wide-scale integration of technology is reshaping workforce requirements for digital and education service providers

EBIT saw a strong surge after the COVID-19 pandemic, driven by digitisation of content and increased subscription and recurring revenues

The demand for virtual education during the pandemic enabled education service providers to transition from physical to digital service portfolios, leading to lower human capital requirements to sustain growth trajectories.

Education services sub-sector



Sources: Company annual reports, PwC analysis (based on a sample of 15 education service providers)

To achieve productivity increases and cost savings, an increasing number of companies are pursuing integration of GenAI into their operations

Especially data providers involved in preparation and transformation of big data are seeing high application potential for machine-learned algorithms and GenAI in their operations, prompting their workforce to adapt new skills.

> 85%

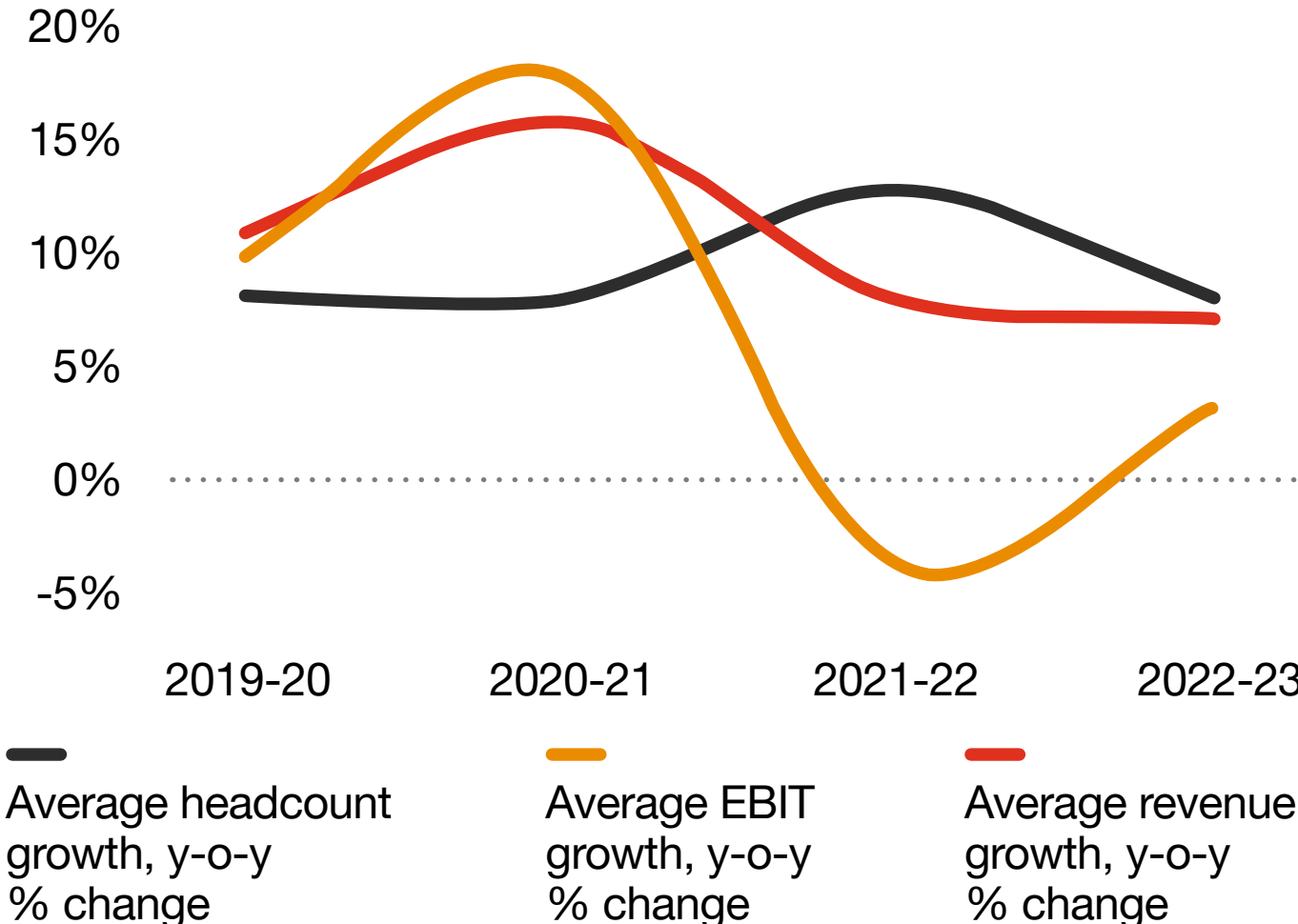
of data providers mention both, AI and machine learning functionalities to drive **process automation and operational efficiencies** for their existing business and platforms.

Sources: Company annual reports, PwC analysis (based on a sample of 15 data providers)

With steady revenue and headcount growth, rising subcontractor and technology integration costs put pressure on EBIT

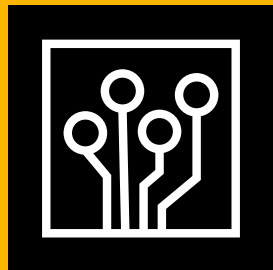
The shift to cloud computing incurred higher costs related to cloud or software usage, as well as data purchases from third-party vendors, significantly impacting margins.

Data providers sub-sector

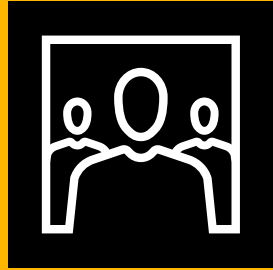


Sources: Company annual reports, PwC analysis (based on a sample of 15 data providers)

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



Using technology to create new growth avenues and more sophisticated service offerings, as well as **enhance operational efficiency** to reallocate human capital towards high value-added activities.



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



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 D&E 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.

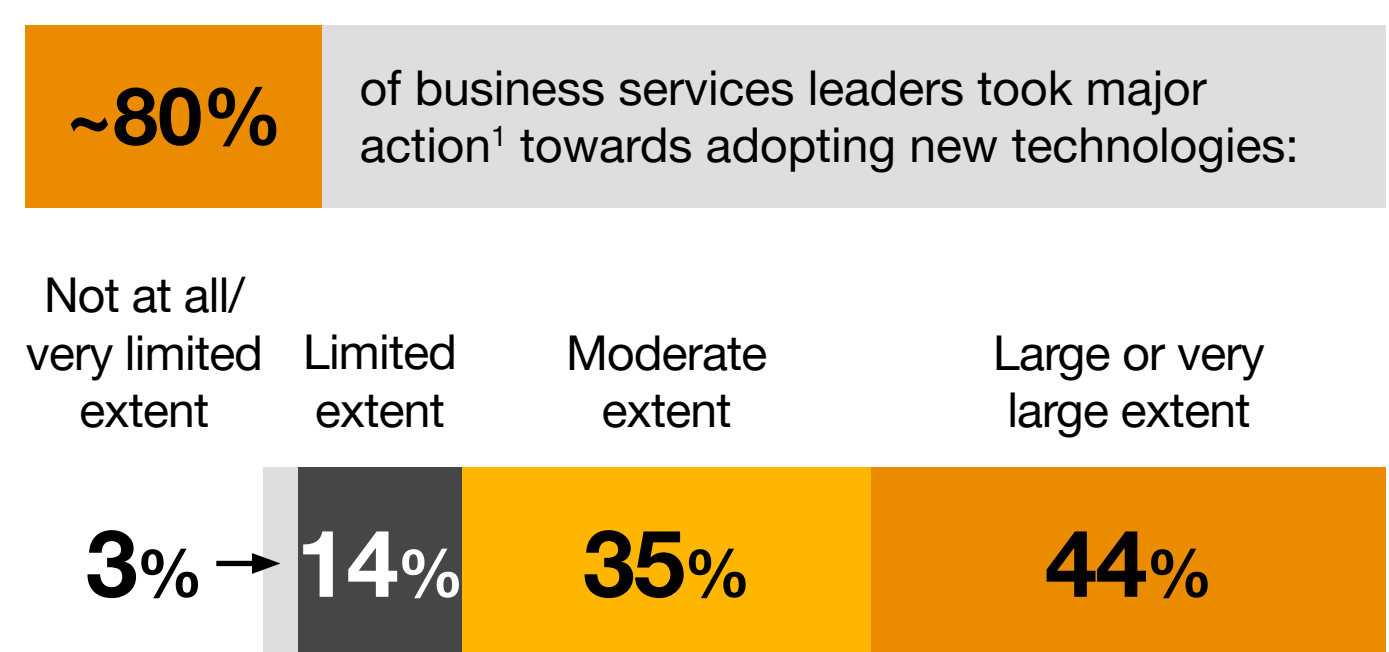


1 in 5

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



Source: PwC 27th Annual Global CEO Survey

Education companies are boosting growth and margins by integrating AI for personalised learning experiences, such as adaptive algorithms that tailor lessons to user progress. Leveraging cloud-based platforms for scalable content delivery and data analytics to optimise marketing and operational efficiency, enhances both revenue and profitability.



Data companies are increasingly harnessing advanced analytics and machine learning to deliver real-time, actionable insights. Implementing AI-driven tools for predictive analytics and automated reporting enhances decision-making and operational efficiency. Additionally, leveraging cloud infrastructure for scalable data processing and secure storage enhances better performance and cost management, boosting profitability.

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.

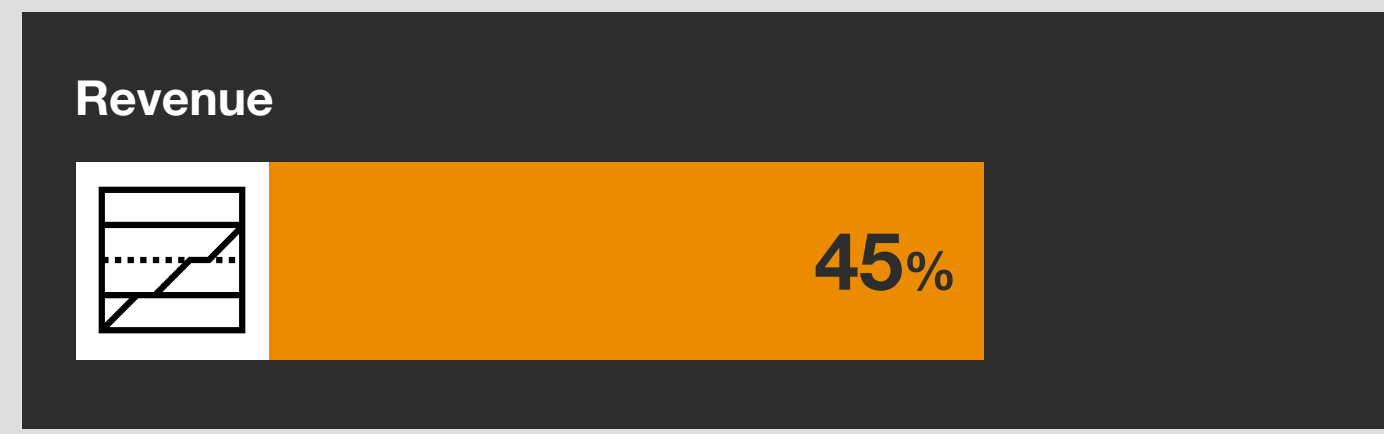
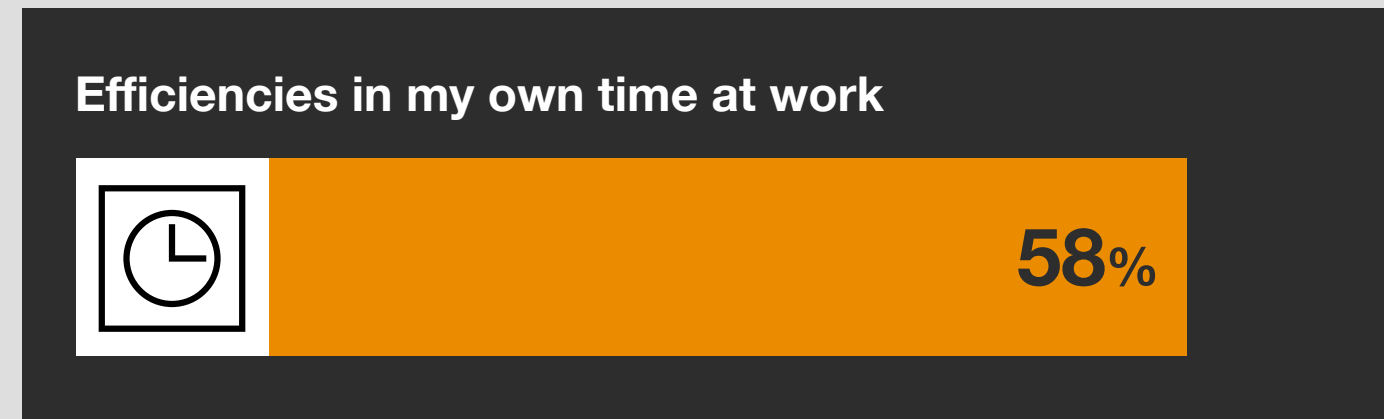
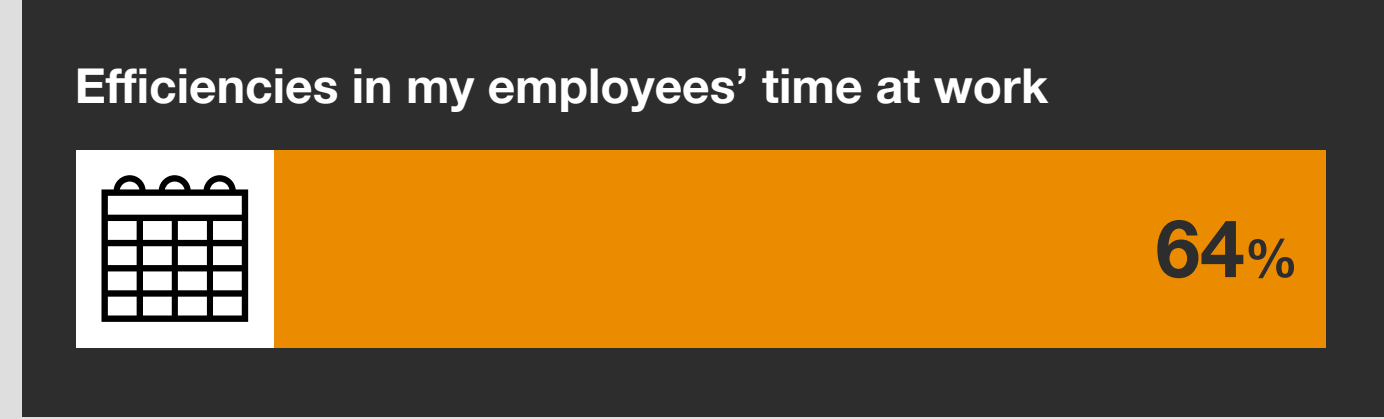
25%

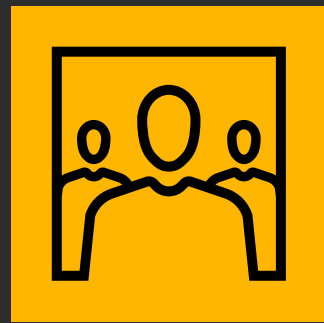
of business services leaders believe that GenAI will help them reduce headcount by at least 5% or more in the next 12 months.

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 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.

D&E companies can recruit top talent by showcasing growth opportunities and cutting-edge projects. Cultivating employees through upskilling and professional development, and retaining them with competitive benefits and a supportive work culture, facilitates sustained growth and innovation. By investing in continuous learning, companies enable their workforce to adapt to technological advancements, driving innovation and maintaining a competitive advantage.

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

While majority of the companies are cognizant that GenAI will shift their talent requirements, fewer have either planned or undertaken initiatives to train their workforce. Education and data companies should prioritise training in new age skills, such as AI and data analytics. For instance, career certificates and skill academy programs offer targeted upskilling curricula. These future-fit skills are necessary in order for companies to innovate and thrive in the long run.

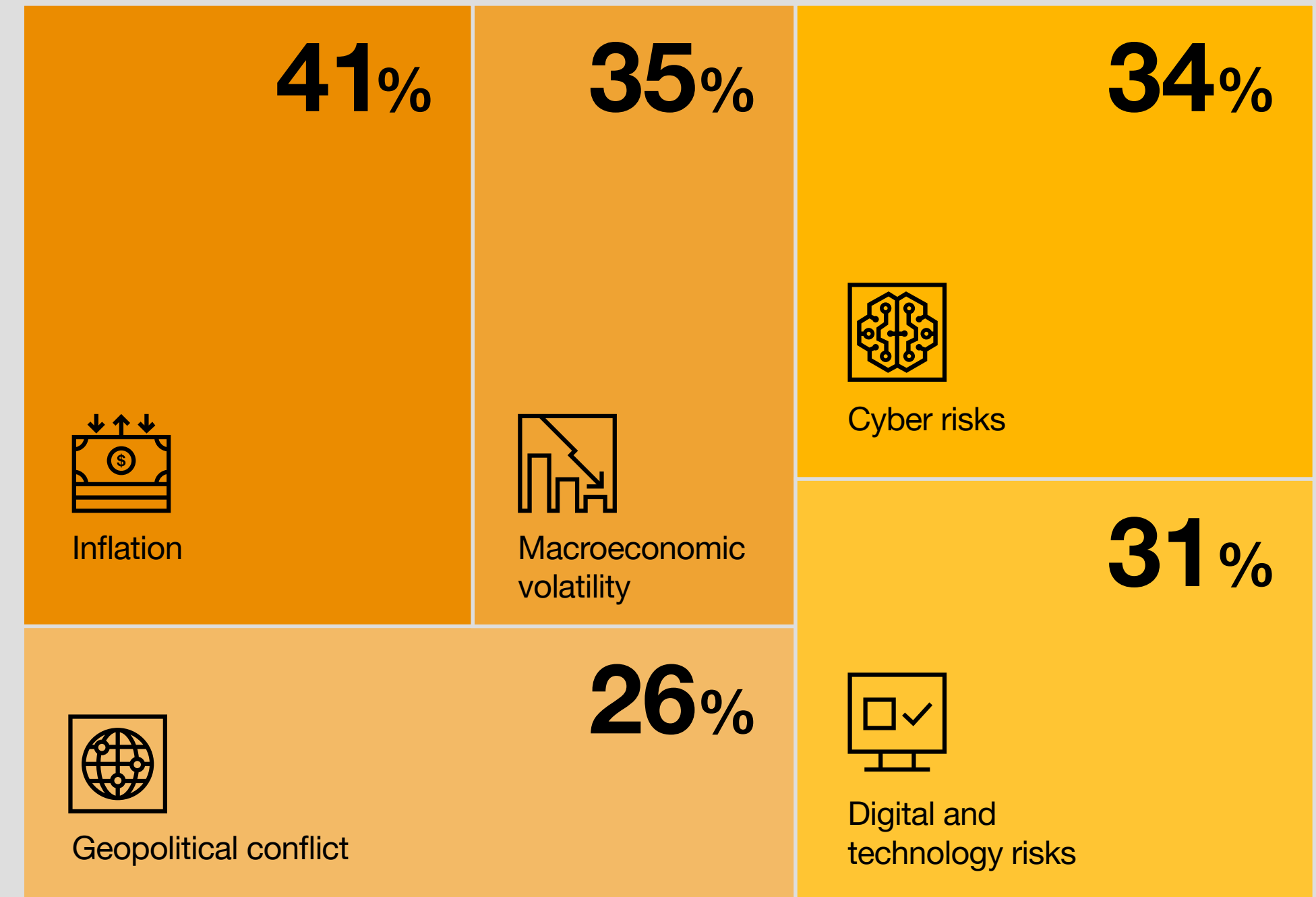


Build a thorough risk management practice to seize opportunities

Reinvention comes with risk, therefore, D&E 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:



Macroenvironmental risks

 Technology-related risks

Source: PwC Global Risk Survey 2023

Macroenvironmental risks

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

D&E 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:

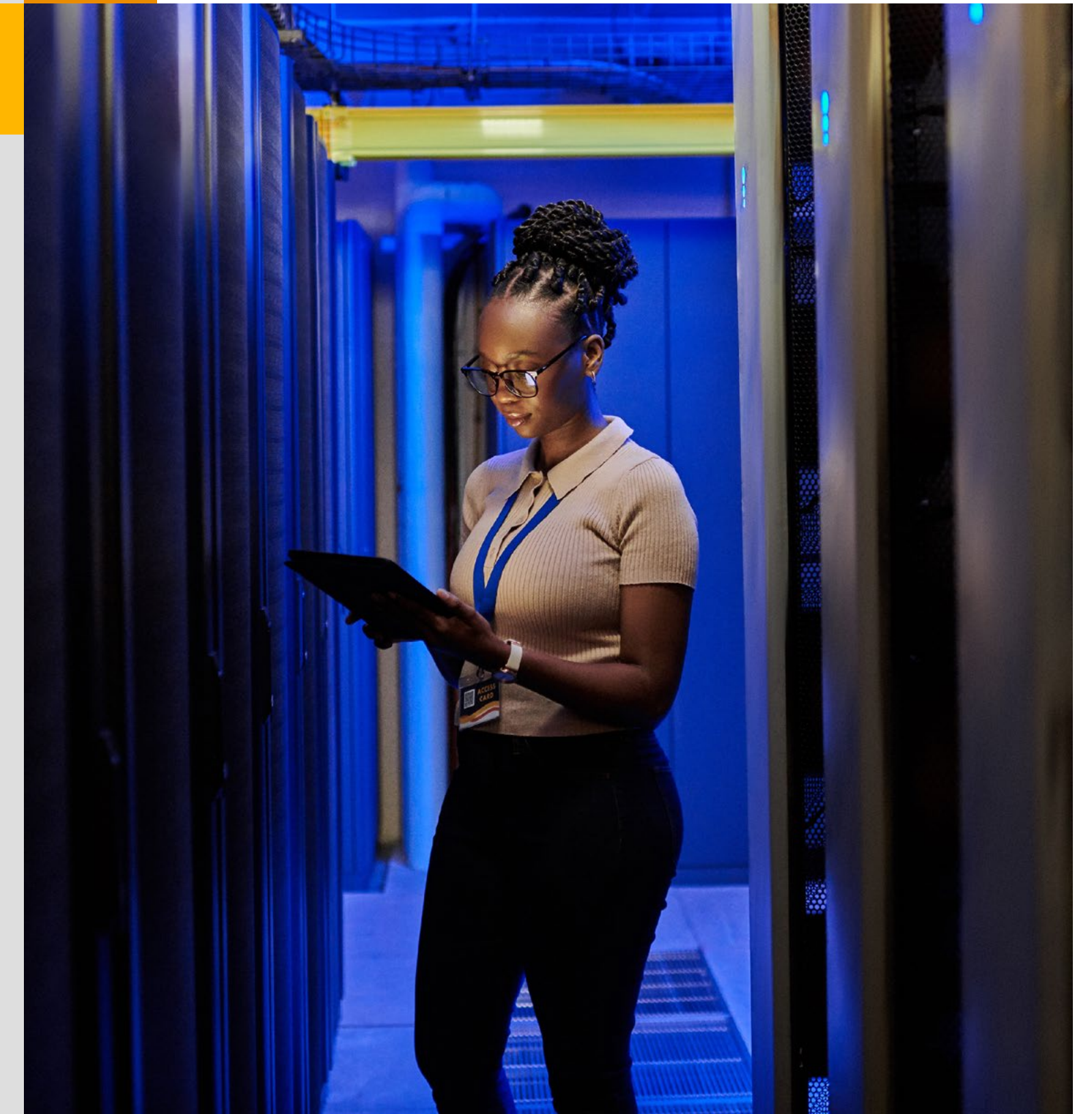
No plans/ unsure Planned for next 12 months Already invested

14% 26% 60%

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...

The success of the digital and education sector stems from increased enrolments driven by upskilling needs post the COVID-19 pandemic and a sustained demand for data analytics

As North American and European markets mature, providers of education services are shifting focus to high-growth Asian markets. Data providers are expanding their service capabilities to meet increased reporting requirements, while EdTech players and data firms are investing heavily in AI and cloud-based technologies to drive automation and enhance operational efficiency. Strategic investments in acquisitions and partnerships, combined with leveraging global operating models, are proving essential for navigating competitive landscapes and driving future growth.

Business Services Enabling Differentiated Growth for Industrial Players

In addition, the overall business services industry, including the D&E 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.

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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](#)



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