Global Business Services Index Annual Report 2024

Professional 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 professional services sector has experienced strong growth and improved margins

The sector's index score is 118 (normalised to the base year of 2019 = 100), with strongest improvements recorded in the growth and profitability dimensions. Rise in demand for specialised offerings has prompted companies to provide more niche services to clients at higher margins. Productivity levels, however, have decreased slightly, as headcount increases marginally outpaced revenue growth.

Diversification, sustainability and technology have been factors affecting sector performance, driving innovation, and more diversified service offerings as the business landscape evolves.

Index Score

118 Base year (2019) = 100

Professional services sector performance, by dimension:

Growth	**149**
Business services industry average	142

Companies witnessed a strong surge in organic growth post the pandemic, especially in high-margin, high-growth segments such as energy and cloud technology, driven by a need for cost-cutting solutions.

Profitability	**114**
Business services industry average	109

Increased revenues and lower operating costs during the COVID-19 pandemic resulted in profit gains, partially offset by cost inflation pressures.

Productivity	**100**
Business services industry average	102

Overall, productivity took a slight downturn owing to recent investments in software and acquisitions to enhance service capabilities. These initiatives are yet to translate into benefits.

Cash Flow	**110**
Business services industry average	105

Liquidity positions remain strong, as companies are able to extinguish short-term obligations with cash, and outstanding invoices from available working capital.

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 exposure 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

Enhanced adoption of technologies such as data visualisation and analytical tools can enable firms to automate repetitive overhead processes, optimise operational efficiencies and reallocate resources to high value-added operations.

Talent

Recruit and cultivate talent to meet evolving organisational needs

Sector leaders are invested in hiring the right talent to expand their services in more specialised segments – technology and environmental, social, and governance (ESG) advisory, for example – to deliver sophisticated value to clients.

ESG

Develop a strong climate mandate to stay relevant

In addition to realising internal net zero goals through green energy sourcing, reduced travel expenses and electrification of fleet, sector leaders have also started offering innovative sustainability services to their clients.

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

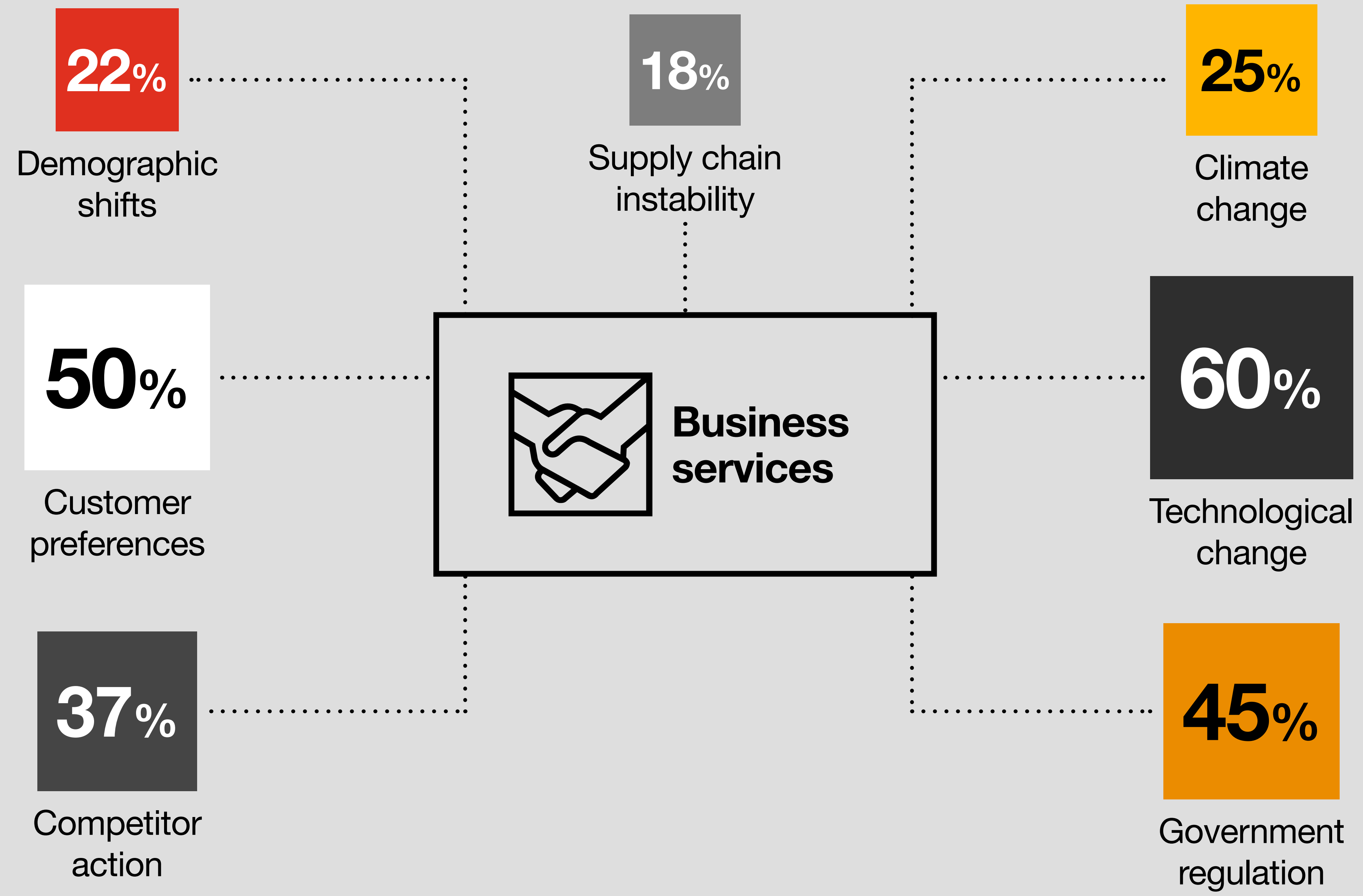
global business services CEOs believe their company will be highly or extremely exposed to inflation in the next 12 months.

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, professional services play a crucial role in helping companies respond to Megatrends and foster growth...

Professional services (PS) provide a vast range of services for their clients – from finance, assurance and accounting support to strategy advisory, digital and managed services.

As the global business environment is facing increasing volatility and uncertainties, the demand for transformational guidance is increasing across traditional offerings related to cost efficiency as well as specialised services related to sustainability and technology.

In response to potential risks arising from economic events and Megatrends, a growing number of firms across industries are investing in risk resilience initiatives. As these initiatives generally require significant capital outlays, firms are seeking support from professional service providers to identify priority areas and make informed investment decisions.

…but there is an increasing need for professional service providers to transform their own businesses and deliver value to their clients

To continue delivering value to clients, PS providers also need to reinvent their service portfolios towards targeted and niche offerings related to technology, ESG and workforce transformation.

Changes in technology and customer preferences have sparked an increasing demand for cloud, digital and sustainability-related services that require specialised capabilities. Companies are also internalising the use of digital tools such as GenAI and machine learning (ML) to enhance productivity and service quality.

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

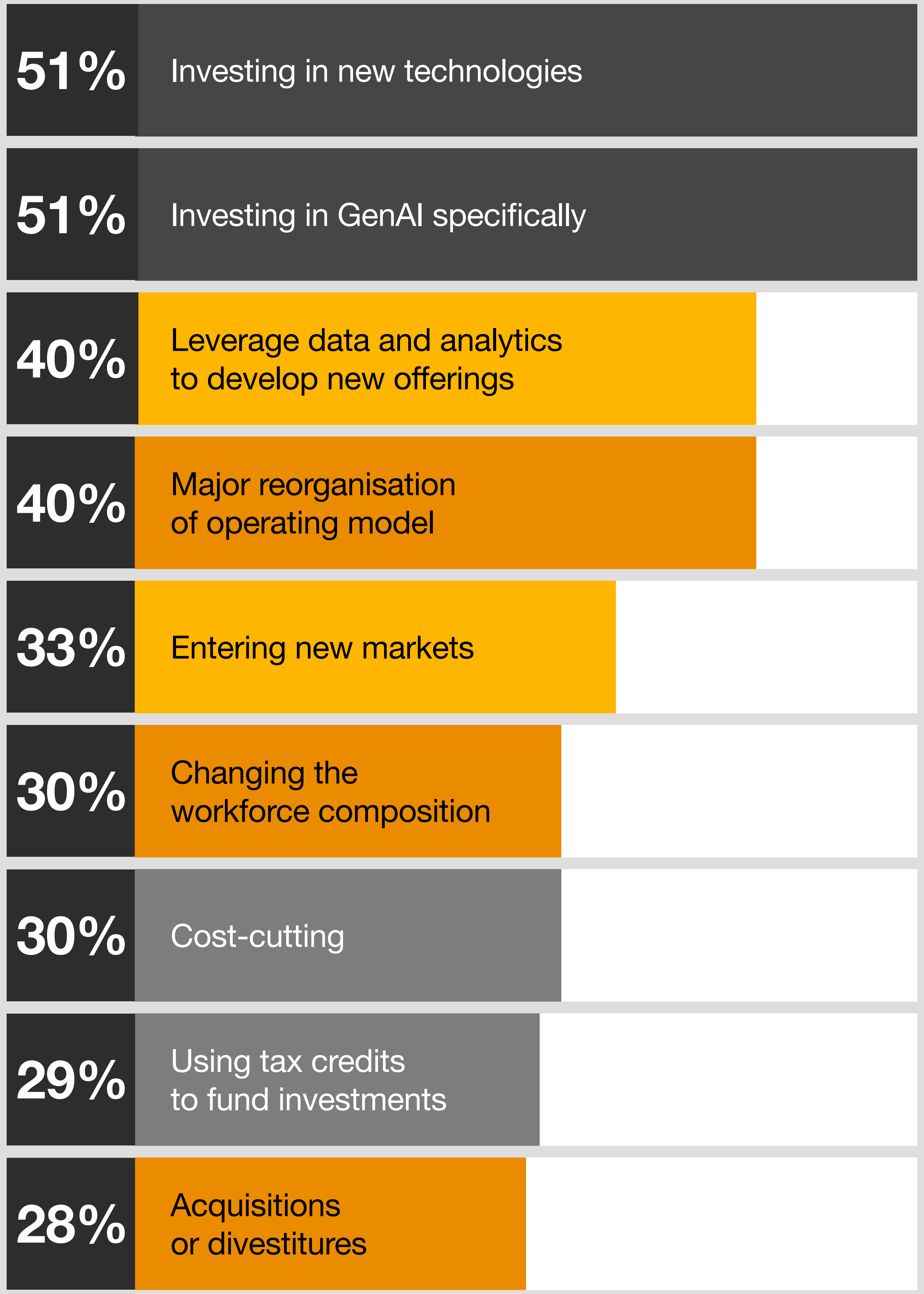
Companies should explore new customer segments and markets to drive transformative growth.

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.

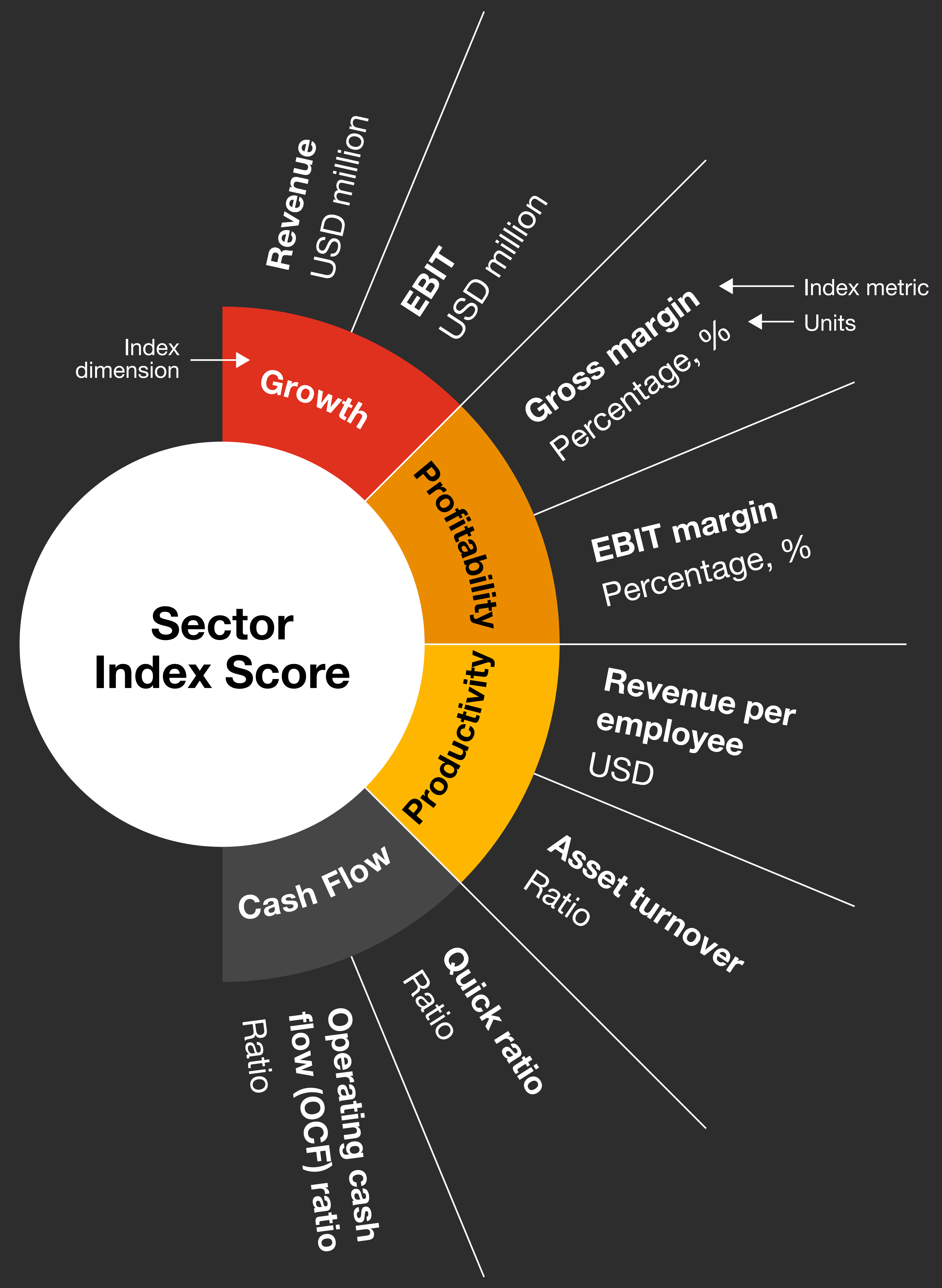
An index for business services can serve as a strategic tool for benchmarking, allowing business leaders to compare their own performance against industry peers and identify areas for improvement

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.



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

02

Sector Index

PS sector at a glance

Consulting, tax and audit

Providers of management/technology consulting services, auditing and risk services.

Overall, the professional services sector experienced strong growth with slow-moving productivity

The sector's index score is 118 (normalised to the base year of 2019 = 100), with growth and profitability dimensions performing better than the others. This was driven by strong organic growth and a shift to high-margin, high-growth customer segments. Financial health remained positive as companies retained strong liquidity, partially offset by flat cash flow positions. Productivity remained stable and has not significantly improved compared to 2019, as revenues increased in tandem with headcount and assets.

Diversification, technology adoption and sustainability are key drivers impacting the performance of professional services firms

Diversification

Firms are expanding their geographic portfolio to emerging markets, and diversifying customer segments and service offerings, organically or through strategic acquisitions, to build credibility and strengthen market position.

Technology

There has been an increased focus on services related to digital transformation given strong demand from clients for more technological enablement. While these drive higher margins and billings, tech investments and processes have also supported margin improvement through efficiency gains.

Sustainability

Climate action has been on the agenda for most corporates that are increasingly building their capabilities to advise clients with niche service offerings focused on sustainability, such as renewable energy usage, electrification, and circular economy.

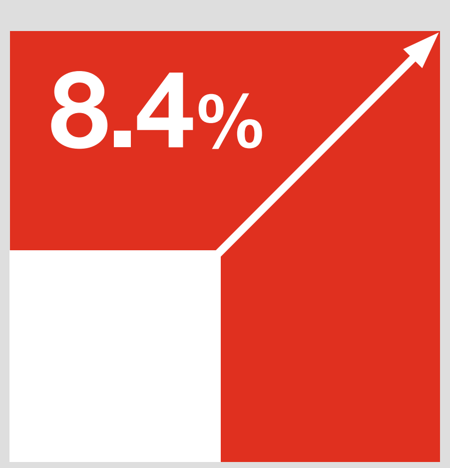
.... = 100 (base score for each dimension with 2019 as reference year)

Growth

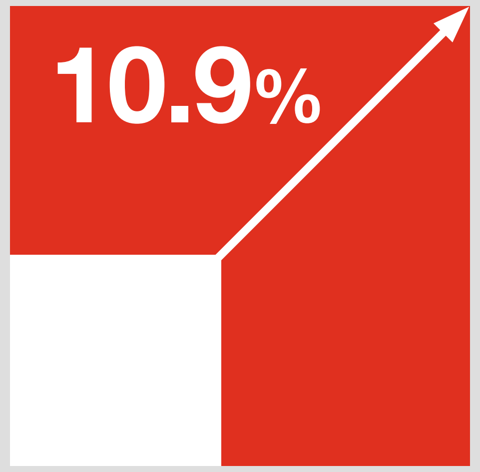
Dimension score: **149**

Firms witnessed strong organic growth after the COVID-19 pandemic, especially in high-margin, high-growth segments such as energy and cloud technology.

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



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



2019 2023

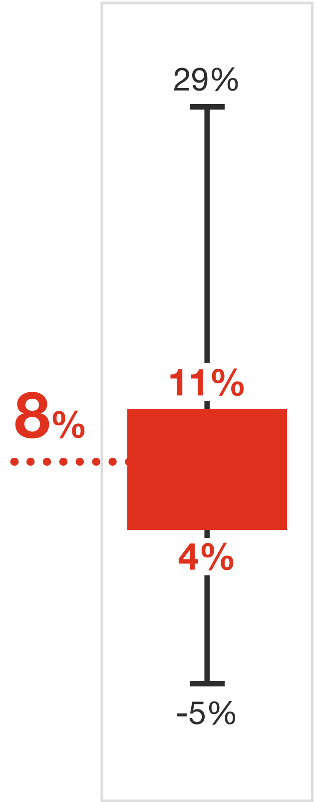
Businesses pivot to growing and profitable service segments, and geographic expansion

Most PS players were able to bounce back from the COVID-19 pandemic, experiencing strong organic growth driven by customers' need for cost-cutting measures.

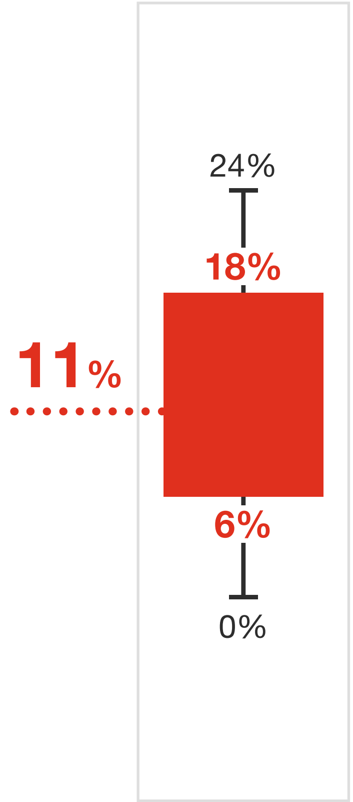
Companies were also expanding in LATAM, Central Eastern Europe and emerging Asia, and diversifying across customer segments and service offerings, which supported new pools for revenue growth.

Several companies undertook strategic acquisitions to develop more niche service offerings in the cloud, digital and sustainability space to drive growth.

Revenue growth, %
(CAGR 2019-23)



EBIT growth, %
(CAGR 2019-23)



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

Revenue growth was strong, supported by demand in high-growth sectors

The majority of growth stemmed from growing demand for sophisticated offerings – from sustainability and engineering solutions to technology and advanced analytics.

Despite seasonality in billable hours during summer and winter holiday periods, most businesses were able to increase their overall billable hours and billing rates, which contributed to strong top-line growth. Cross-selling and upselling opportunities also contributed to higher revenue per client.

EBIT outpaced revenue growth as expansions were kept low and operating expenses remained stable

EBIT growth was higher than revenue growth as companies managed to keep operating expenses low, especially during 2020-21, where business travel and other related overhead costs were reduced as a result of the COVID-19 pandemic.

Depreciation and amortisation costs were also low as companies were not as aggressive with expansions during 2020-21.

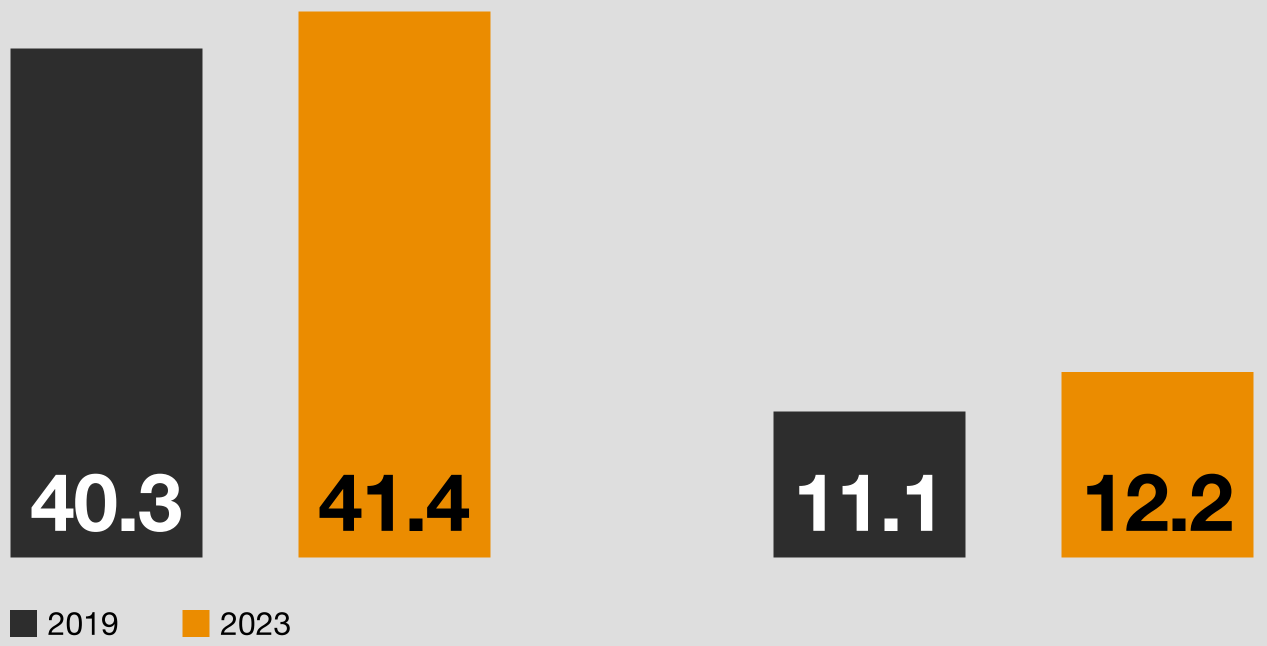
Sources: Company annual reports, PwC analysis
(for detailed methodology, refer to Appendix)

Profitability

Dimension score: **114**

Average profit margins remained rather flat due to wage inflation offset by increased revenues and lower operating costs during the pandemic.

Avg. gross margin, % **Avg. EBIT margin, %**

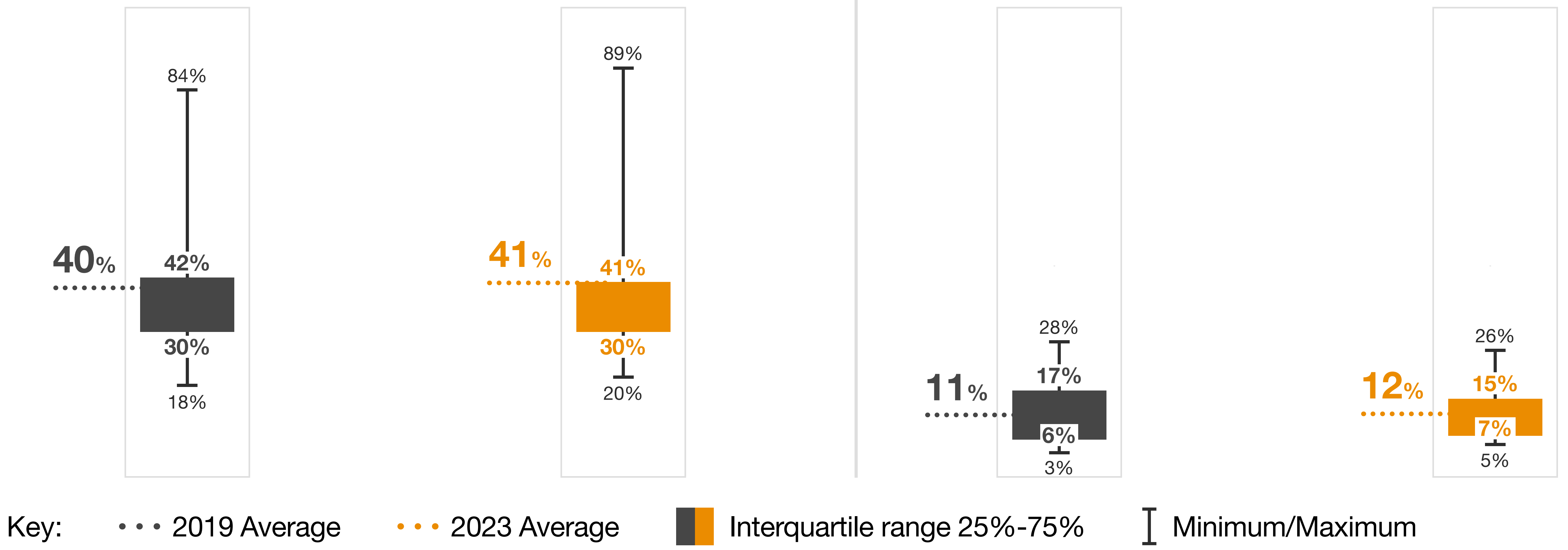


Despite increased headcount to support growth after the COVID-19 pandemic, businesses sustained strong profit margins

Diversifications and expansions have inevitably resulted in higher personnel-related costs in terms of salaries and benefits, along with wage inflation.

Companies' strategic move towards high-margin opportunities has seen revenues increase ahead of costs, supporting strong margins to date.

Gross margin, % **EBIT margin, %**



As a result of the COVID-19 pandemic, organisations benefitted from clients looking for business recovery and sustainability solutions

Revenues have managed to grow at a quicker pace than costs, with companies being able to increase billing rates and billable hours, especially in high-margin and niche service segments requiring specialised engineering and technological expertise.

Most PS firms managed to maintain stable profits despite inflationary pressures due to operating costs being under control during the COVID-19 pandemic

Operating expenses were lower during the pandemic as companies saw less costs associated with hybrid working arrangements and reduced business travel reducing overheads, facilities leasing costs and other personnel-related expenses.

Organisational restructuring and investments in technology have also helped companies better streamline their costs, further improving profitability.

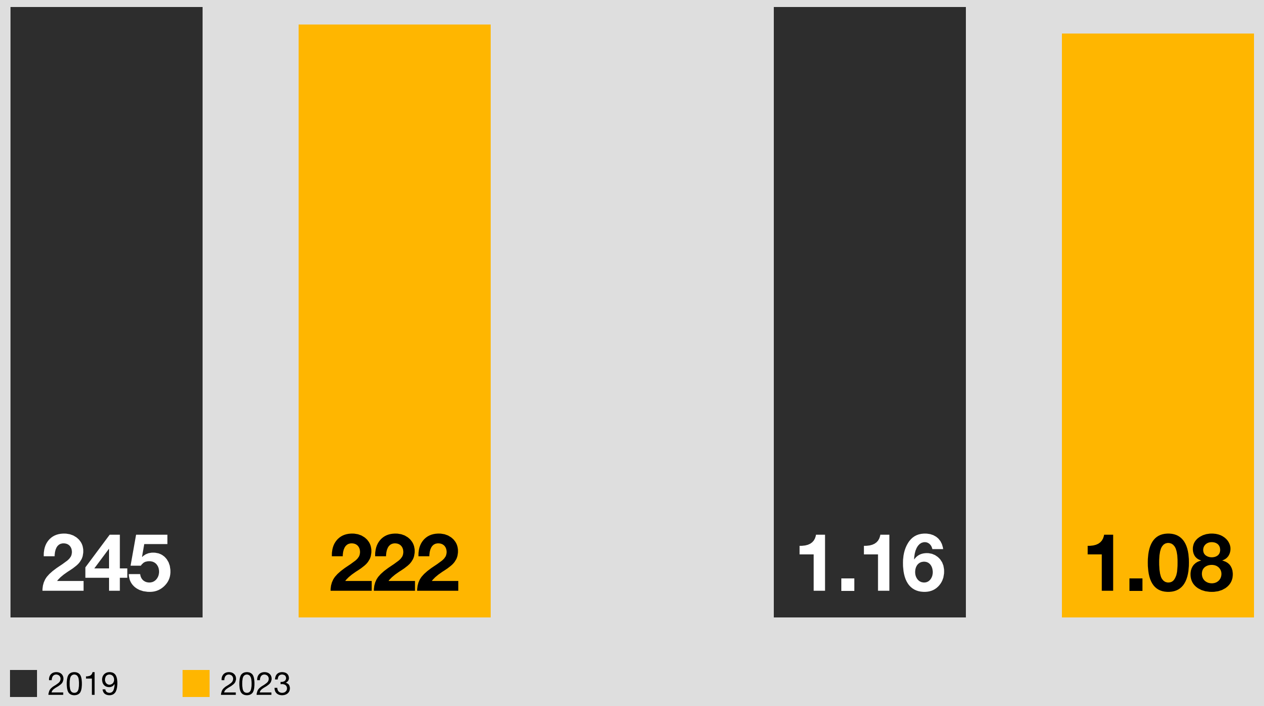
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Productivity

Dimension score: **100**

Productivity remained stable as revenues increased in tandem with higher headcount and better asset utilisation.

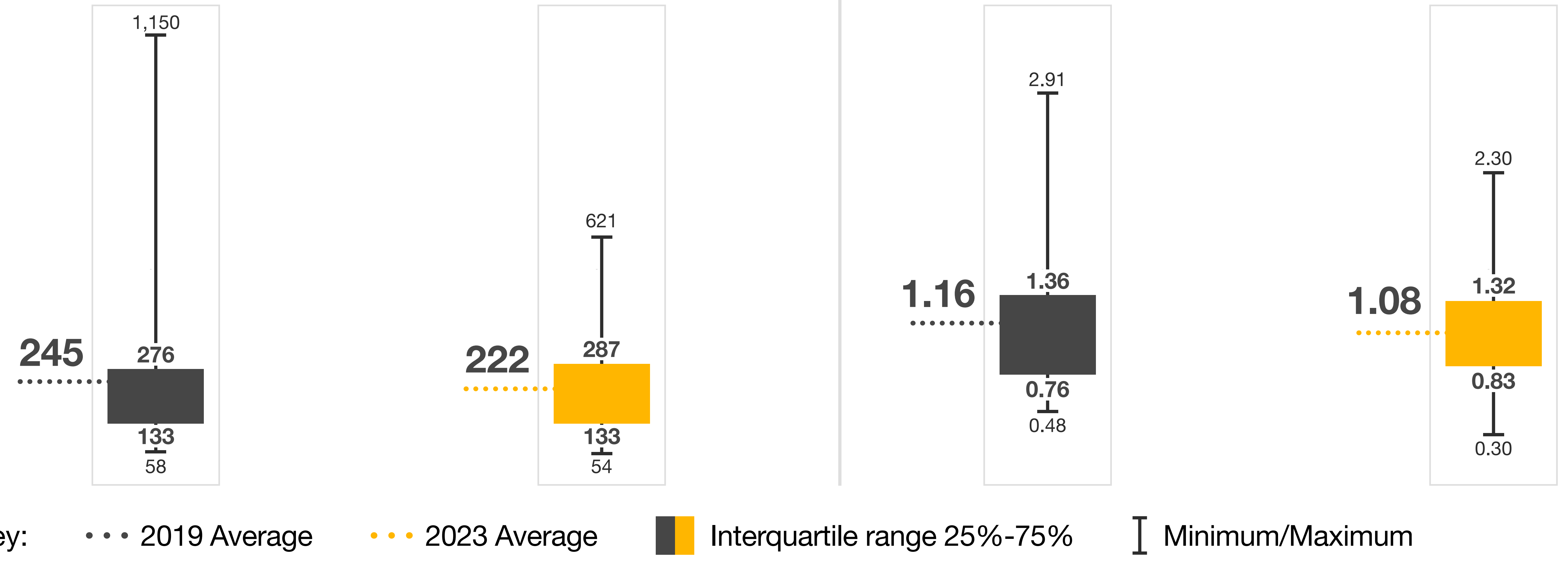
Avg. revenue per employee, $000 | **Avg. asset turnover ratio**



Investments in assets and employees have generated a proportionate increase in revenues

Higher headcounts have supported strong revenue growth. In recent years, many businesses have also restructured their organisation to optimise revenue per employee and asset turnover.

Revenue per employee, $000 | **Asset turnover ratio**



Increased headcount to support organic growth has seen a proportionate increase in revenues

PS sector has seen increased hiring over the past few years to support organic growth. Although there were some layoffs in 2023, increased headcount has nonetheless supported a proportionate rise in revenues, keeping productivity levels relatively stable.

Adoption of AI technology has also helped improve workflow processes and employee productivity in tandem with increased sales.

Professional services companies have been restructuring to optimise their asset footprint

Larger companies have restructured to consolidate asset footprint, streamline global operations, and reduce overcapacity.

Several companies have either divested their business or reduced their real-estate footprint, leveraging hybrid and remote working models during and even after the COVID-19 pandemic to maintain asset productivity.

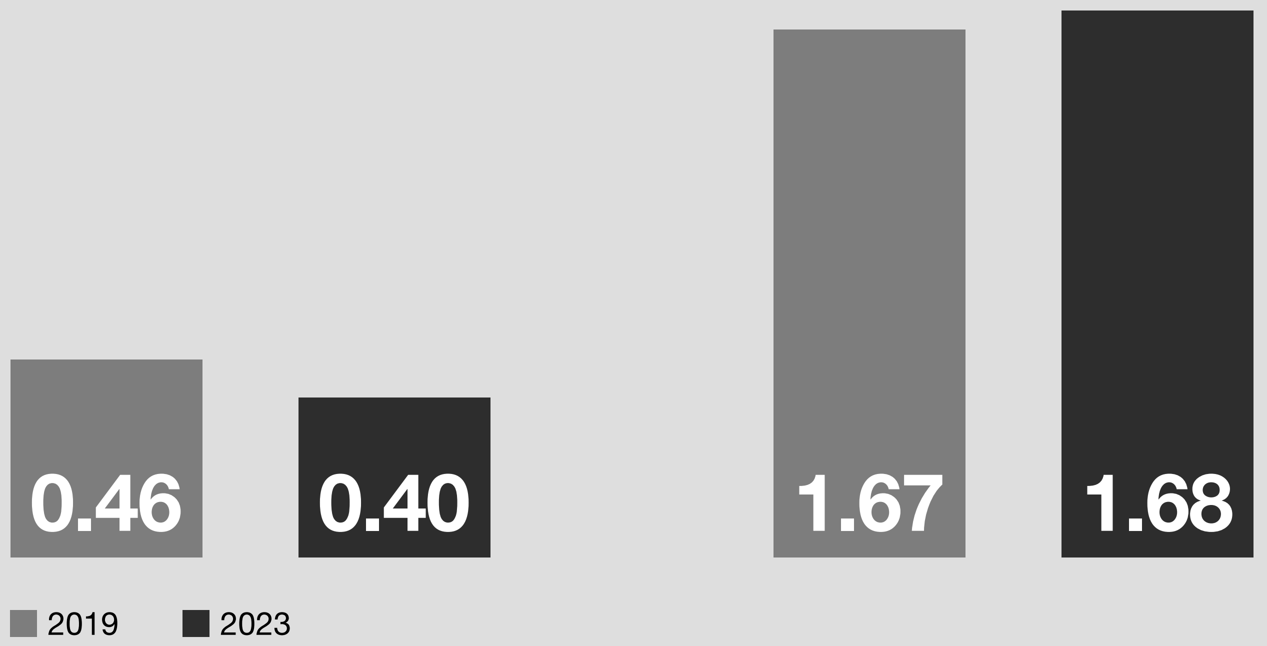
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Cash Flow

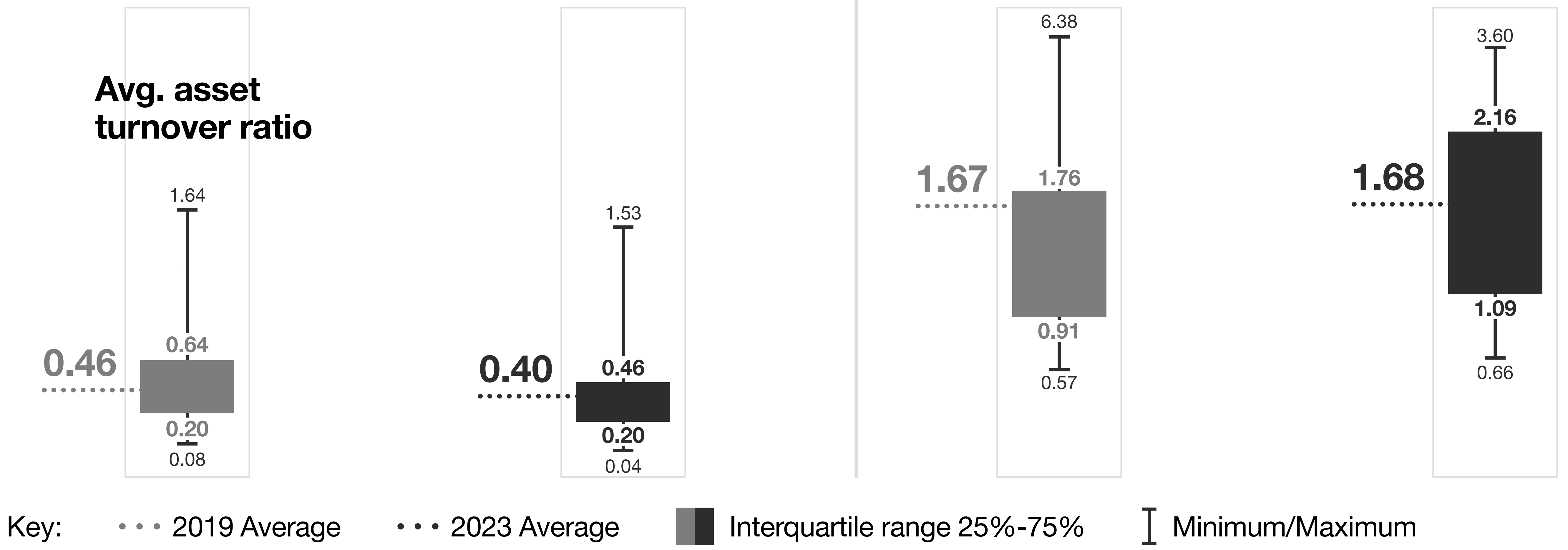
Dimension score: **110**

Liquidity positions remain strong, as companies are able to address short-term obligations with cash and outstanding invoices.

Avg. OCF ratio **Avg. quick ratio**



OCF ratio **Quick ratio**



To increase operational liquidity, firms are continuing to drive cash collection from clients

On average, PS firms have seen a 5% increase in days sales outstanding compared to the 2019 baseline, putting pressure on working capital requirements.

Looking ahead, companies are working towards quicker cash collection from their clients to free up working capital and support changes in operational needs.

Despite increasing incomes, rising cash flow requirements for operations and a gradual increase in liabilities puts pressure on cash positions for most players

Higher revenues have supported favourable net incomes. However, growth in customer acquisition has also driven receivables, adding to the need for operating cash to address working capital requirements.

Current liabilities, on the other hand, have also grown in tandem with revenues, mainly due to subcontractor obligations and short-term lines of credit used to fund operations and business expansion.

The sector is defined by higher quick ratios that continue to grow due to increases in current accounts outpacing growing short-term obligations

Increases in current assets have outpaced those in current liabilities, primarily due to greater volumes in receivables from client billings and prepaid expenses.

With businesses leveraging cash to partially address short-term liabilities, the increase in liabilities has been at a slower rate compared to assets.

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

Leaders identified and captured growth opportunities in portfolio diversification and net zero transition...

Organisations are diversifying offerings and investing in AI/ML and futuristic capabilities to enhance their service quality, and increase productivity

- Businesses are seeing an increased demand for innovation-led capabilities from clients, which has contributed to strong top-line growth
- Research, analytics and AI have also supported the bottom-line by allowing for higher margins due to specialised problem-solving competencies
- Demand for more sophisticated climate and sustainability-related services is also pushing companies to develop stronger know-how in this space to help clients with their long-term strategies

Success story

A leading healthcare consultancy is leveraging its portfolio to accelerate growth and drive margin improvements

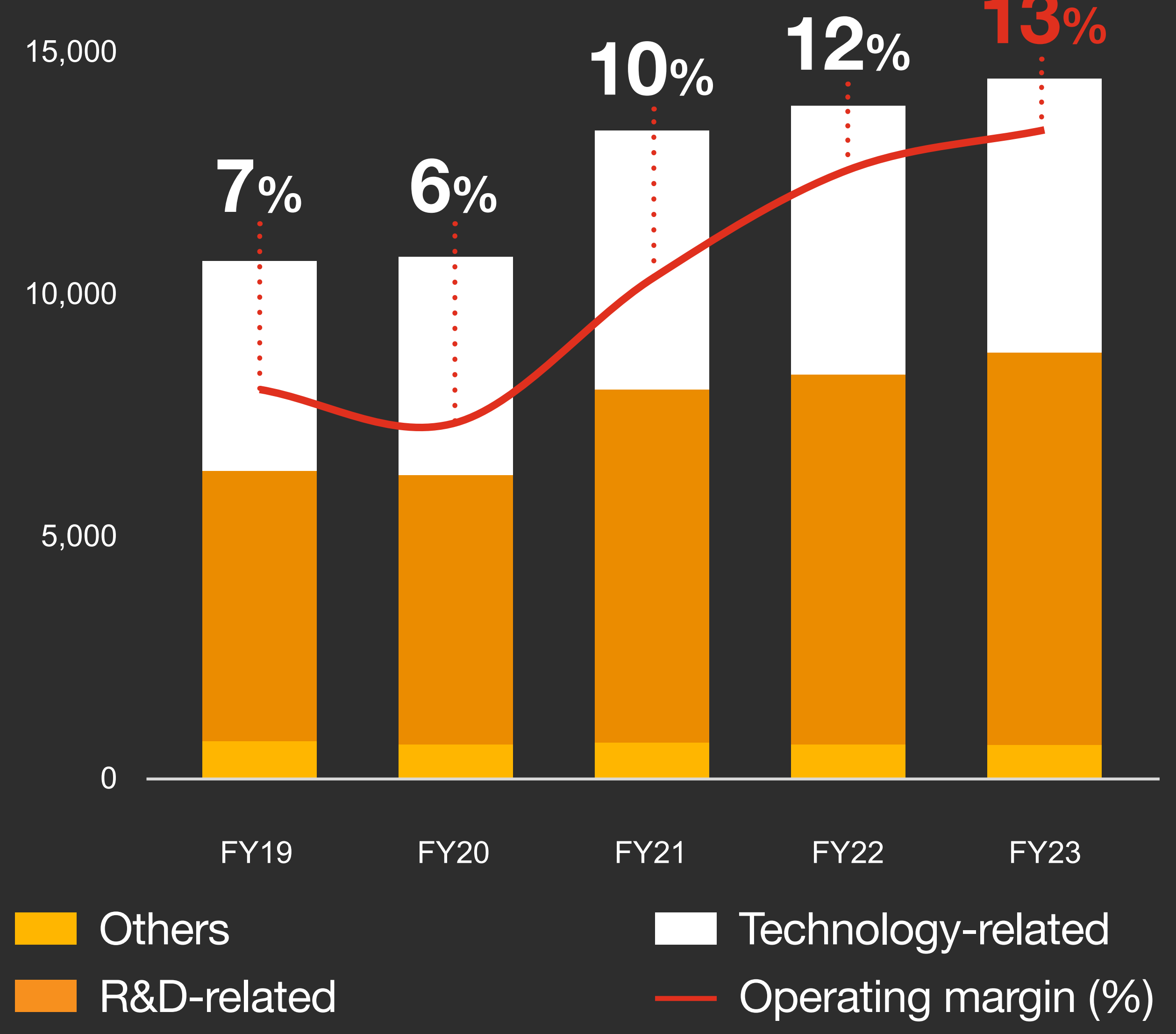
A global leader in healthcare consulting **increased revenue share of its R&D-related and technology-related services** on the back of increasing demand for data and analytics related to vaccine trials during the COVID-19 pandemic.

While R&D services continue to see high growth potential because of increased need for innovation, the company is also blending its traditional offerings with **digital tools to enhance service quality and improve profitability** in this segment.

Moving forward, the **firm is working towards integrating AI** for its internal applications as well as for some solutions offered to clients, in order to increase sophistication and efficiencies in its operations.

Source: Company annual reports, PwC analysis

Overall operating margin, and revenue by segment
$million, 2019-23



...arising from a business landscape transformation during the pandemic

Increasing urgency of global warming is driving companies to ramp up climate action

- Firms have been strengthening in-house ESG capabilities to support energy transition and transformative growth
- Climate action and ESG progress have a financial materiality impact on firms, with carbon emissions, taxes and new International Sustainability Standards Board reporting standards affecting how companies operate going forward
- Although these internal initiatives are primarily working towards meeting sustainability targets, they also help optimising costs and driving profitability in the long run

Success story

A global audit and advisory leader has leveraged the changing business environment during the pandemic to accelerate climate action, almost accomplishing its 2030 climate goals

Pandemic-related travel restrictions and remote working arrangements allowed the firm to **significantly reduce carbon emissions and accelerate its net-zero transition**.

These accelerated initiatives have allowed the company to **meet its 2030 climate targets ahead of schedule** across tracked metrics, contributing towards a low-carbon economy transition.

Furthermore, the organisation is reaping **additional benefits in cost savings** originating from green energy sourcing for their facilities, reduced travel expenses and electrification of fleet that are improving profitability.

Progress on sustainability targets
percent, 2019-23

Source: Company annual reports, PwC analysis

03

Priorities for success

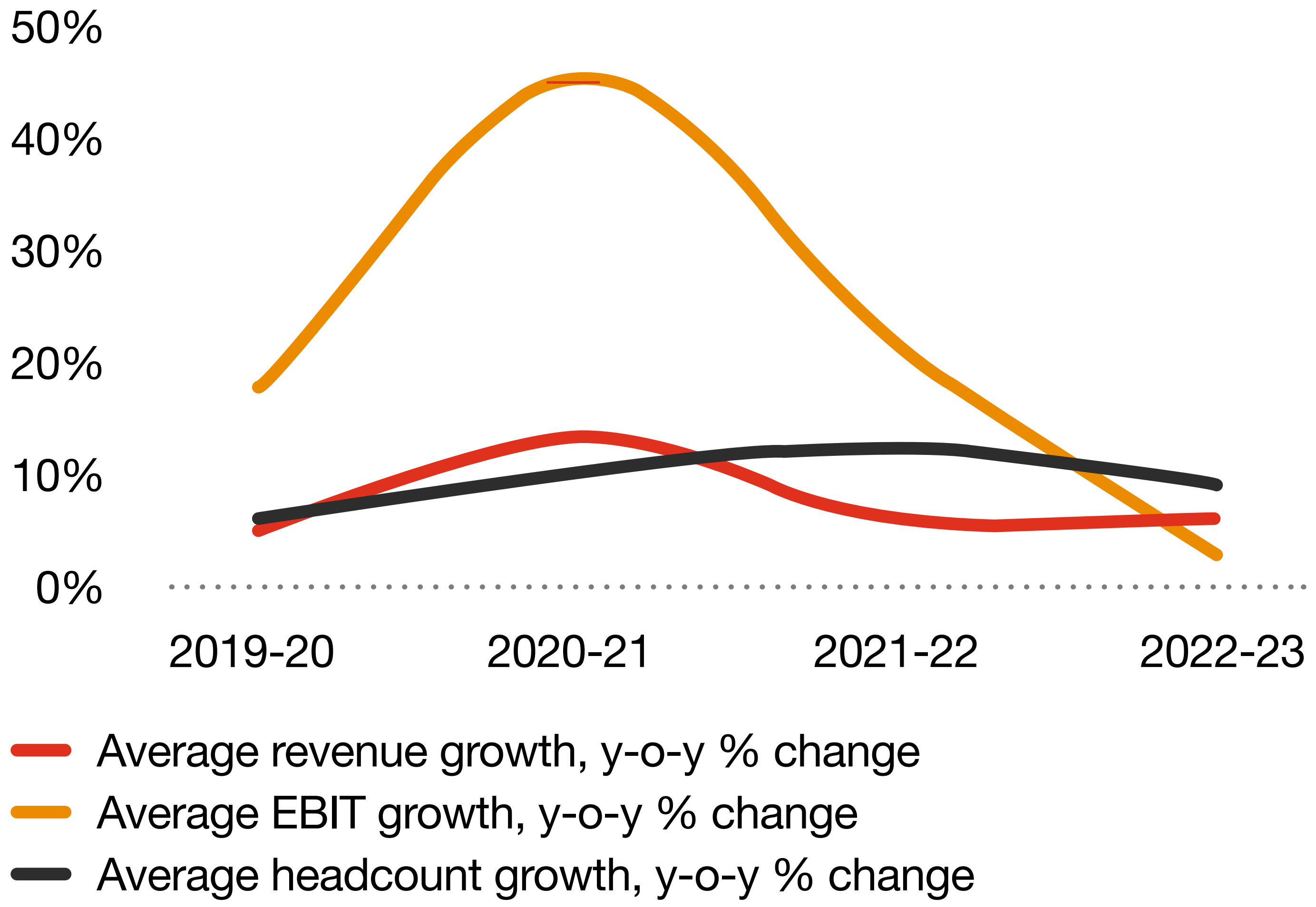
Professional services leaders continue to thrive by embracing innovation and expertise

Leveraging the demand for specialised services during the pandemic, companies enjoyed greater margins, causing EBIT to outpace revenue and headcount growth

As clients seek transformational guidance in making a post-pandemic recovery, professional service companies offer specialised services in the fields of technology and ESG that allow for greater profitability. Continuous growth in demand for volume business segments such as cost-cutting solutions supported a stable top-line growth.

Additional drivers behind profitability growth are asset footprint reductions and increased human capital utilisation resulting from flexible working arrangements during the COVID-19 pandemic that have revolutionised ways of working within the sector.

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



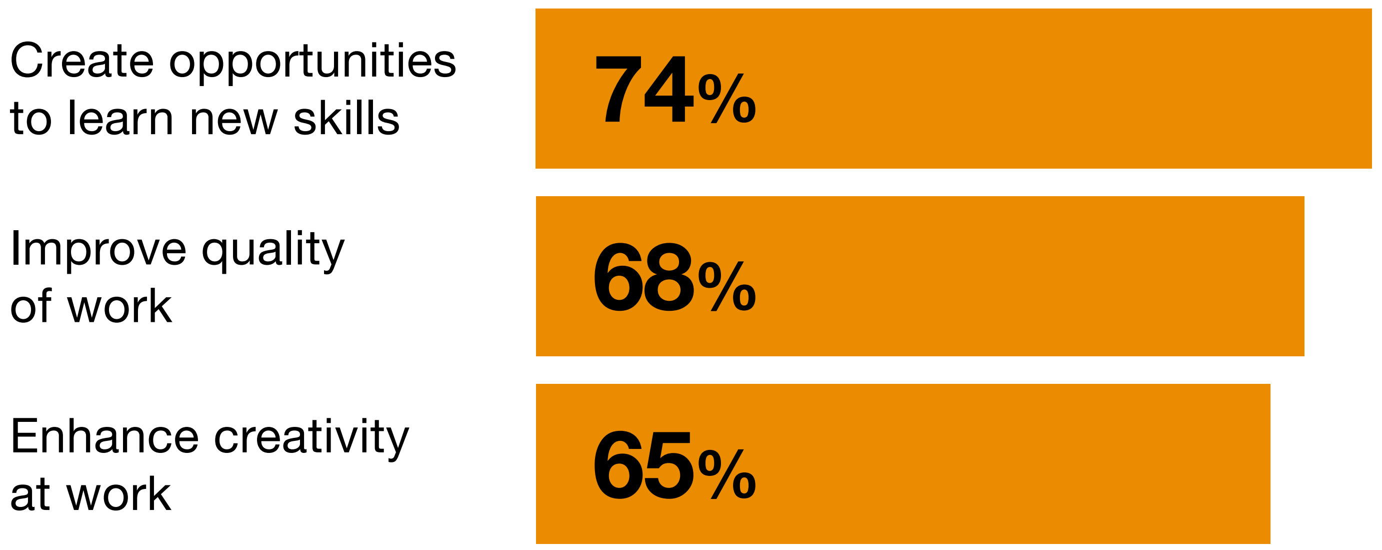
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Providing advisory for technological transformation, professional service companies are expected to be trailblazers in implementing disruptive technologies such as GenAI

Not only are PS companies positioning themselves as advisory leaders for technological implementation but are also implementing GenAI and ML technologies in-house to benefit from enhanced productivity levels of their workforce.

1 in 3 professional services employees are considered **regular users of GenAI**, using it more than once a month.

The same employee sample believes GenAI will impact their career in the following ways:



Source: PwC Global Workforce Hopes and Fears Survey 2024

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.

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 to create new growth avenues and enhance operational efficiency

Technological disruptions such as GenAI could change the way professional services 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

Companies are leveraging technology to drive growth by adopting cloud-based tools for seamless collaboration and data accessibility. Automating routine tasks with robotic process automation increases efficiency, enabling firms to focus on strategic initiatives and innovation.

Advanced data analytics platforms can provide actionable insights for better decision-making. Implementing machine learning algorithms to automate repetitive tasks reduces manual errors and accelerates processes, allowing firms to allocate resources to higher-value activities and strategic growth.

[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.

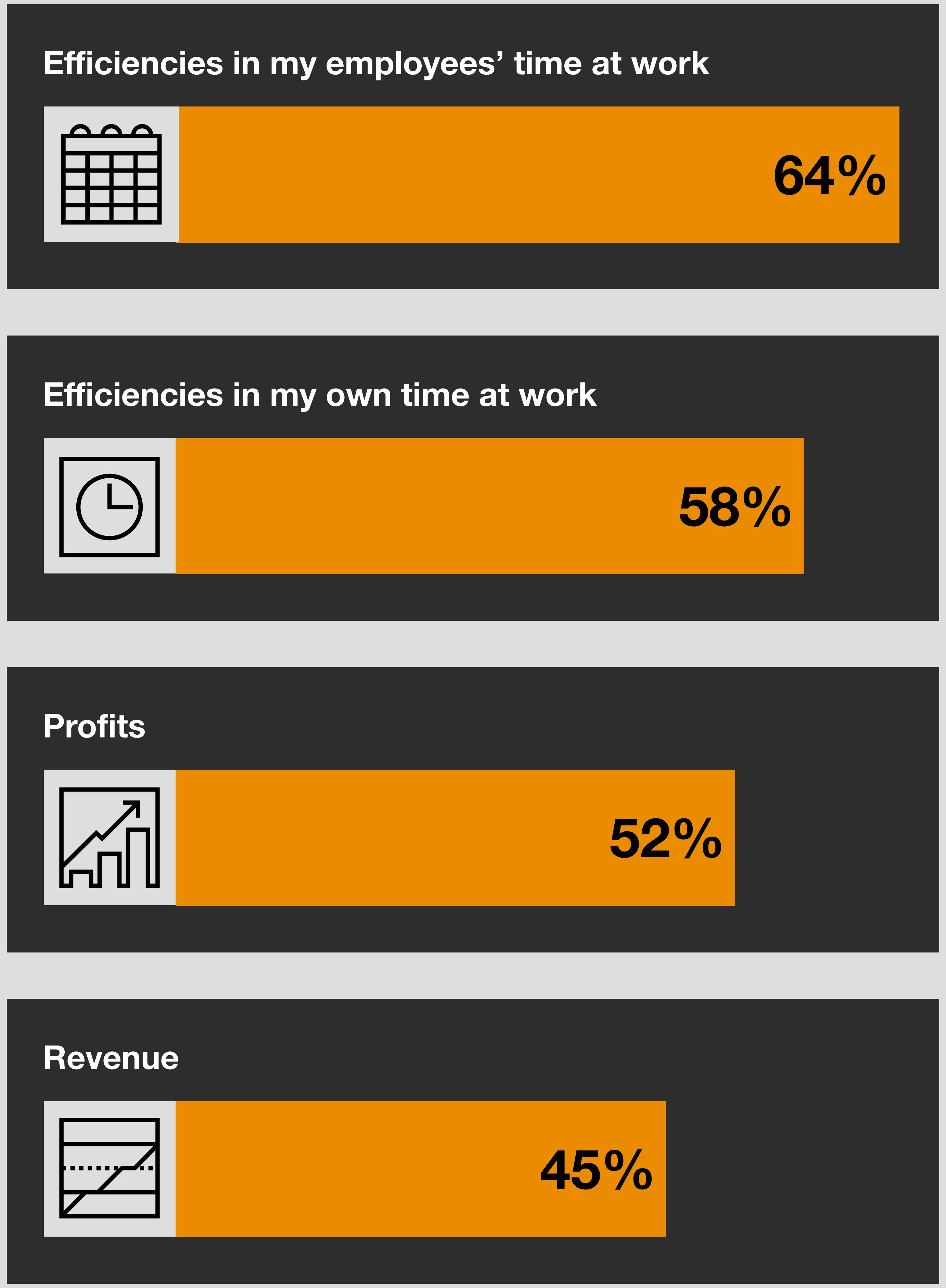
25%

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.

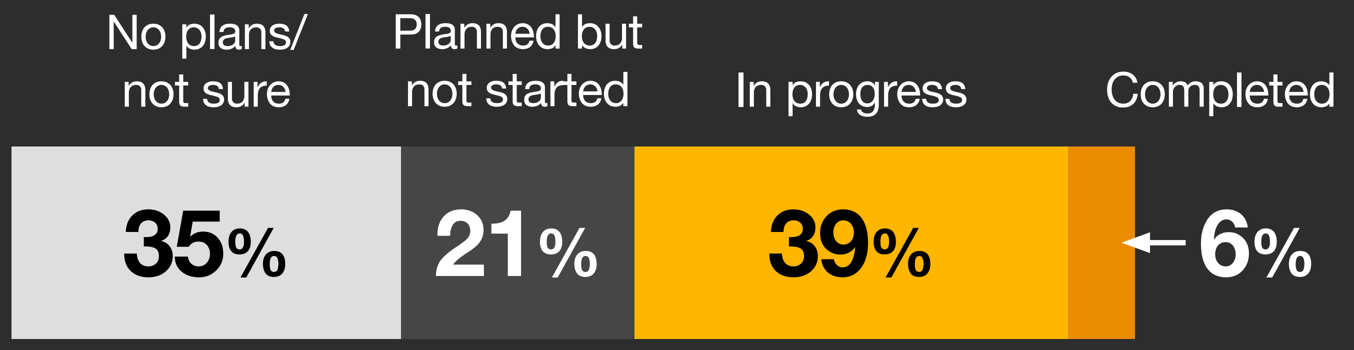
PS companies should seek talent with a blend of technical proficiency and adaptability. Emphasising cross-functional expertise and a proactive approach to learning will help teams to improve agility and tackle complex challenges. There is a need for continuous learning through platforms for upskilling in AI and data analytics, sustainability, alongside problem-solving and communication abilities. Lastly, fostering a strong culture with flexible work arrangements enhances employee satisfaction and retention, enhancing alignment with evolving market needs.

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:



Source: PwC 27th Annual Global CEO Survey

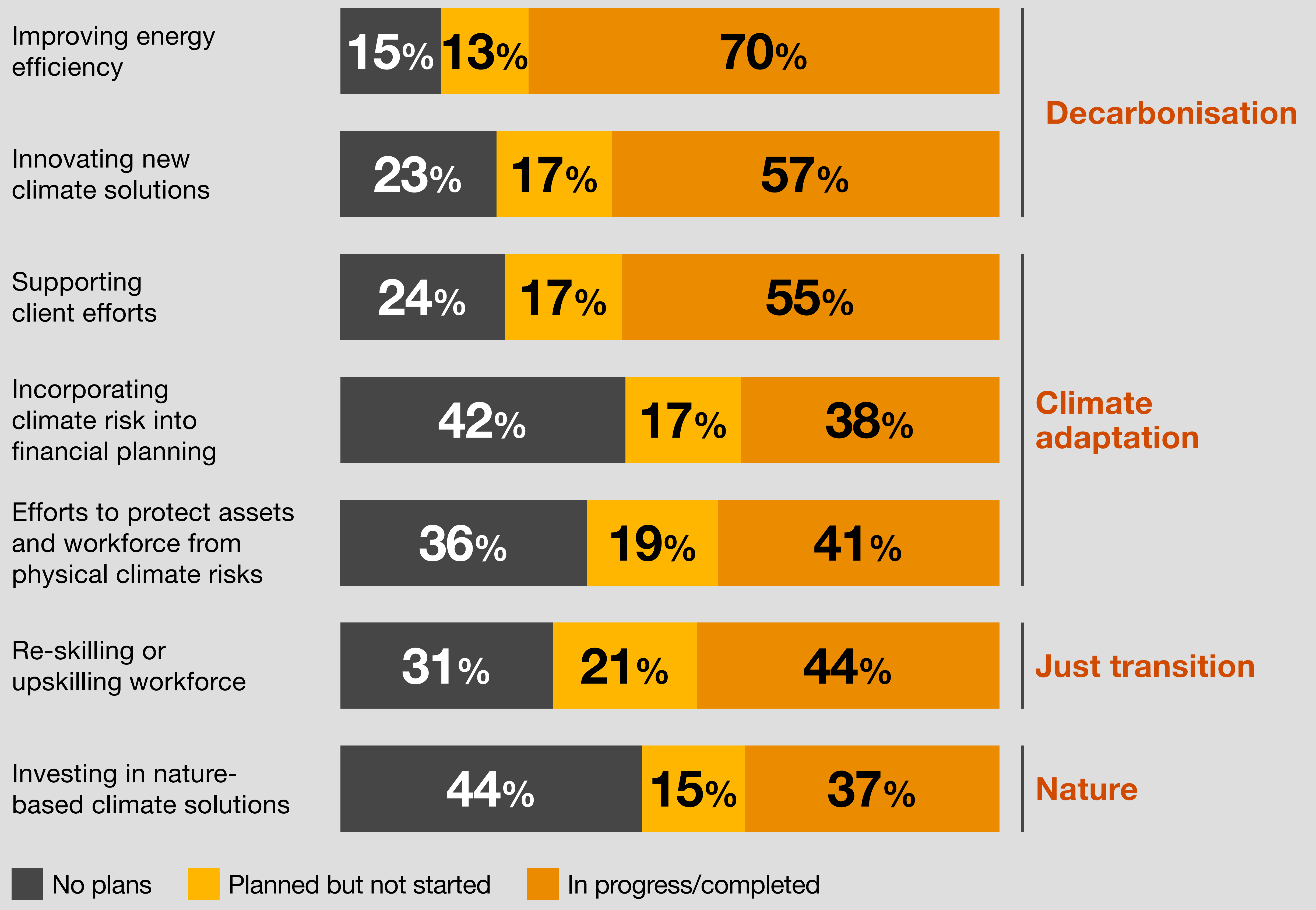
Develop a strong climate mandate to stay relevant

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.

PS firms can adopt sustainable solutions by integrating eco-friendly and energy-efficient practices. For instance, firms can implement virtual collaboration tools to optimise travel and paper use. Offering sustainability consulting, such as carbon footprint assessments, helps clients achieve their environmental goals while demonstrating commitment.

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



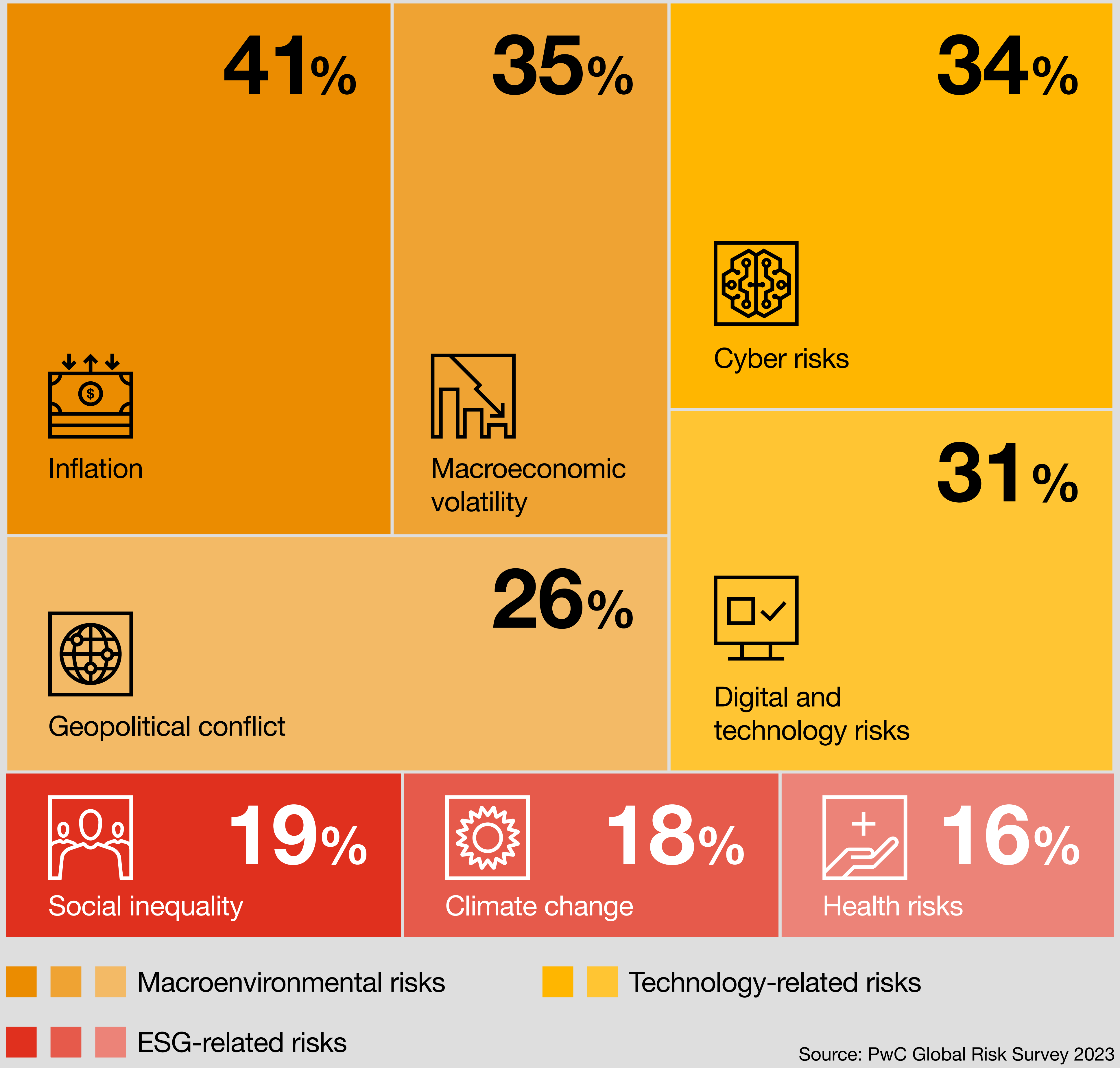
Source: PwC 27th Annual Global CEO Survey

Build a thorough risk management practice to seize opportunities

Reinvention comes with risk, therefore, PS 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

PS 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.

Firms must establish flexible working arrangements and digital communication tools for remote working to enable business continuity in case of a 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

PS 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.

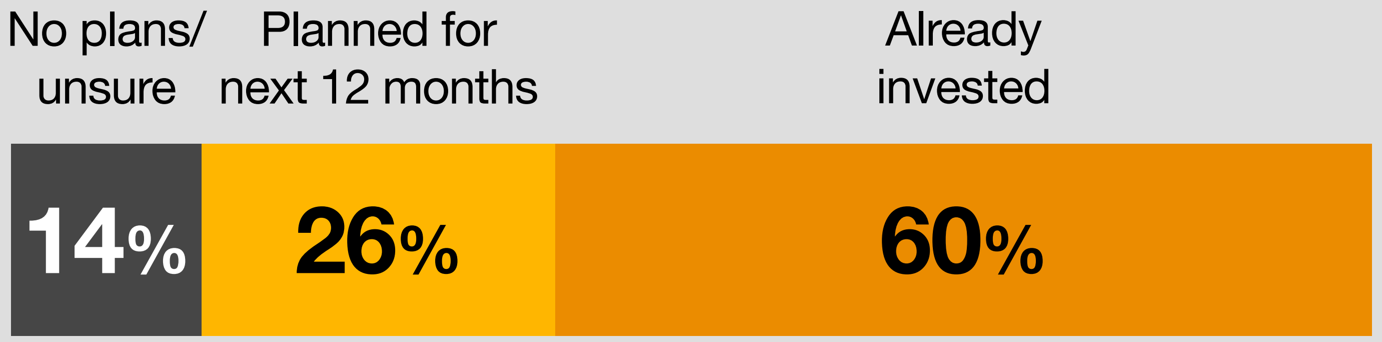
Source: PwC Global Risk Survey 2023

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…

Seeing strong growth in fees during 2020-22, the professional services sector benefitted from companies seeking transformational guidance and cost-cutting strategies to build resilience in response to the COVID-19 pandemic and geopolitical conflicts.

Furthermore, as overheads and travel expenses declined, businesses were also able to improve margins. However, as demand from traditional segments normalises and expenses return to pre-pandemic levels, PS businesses are investing in future-fit capabilities and skills revolving around energy transition and GenAI, and are seeing a strong opportunity to drive revenue and profitability over the next few years.

Business Services Enabling Differentiated Growth for Industrial Players

In addition, the overall business services industry, including the PS 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 37 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
  - A sample of 30 companies has been considered for all metrics, except Revenue and Revenue per employee, due to limitations in data availability
- 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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