

Fortune favours the brave: Strategies for growth and resilience

**Global Business
Services Index 2025**





Foreword



The Business Services industry stands at a pivotal moment. Diverging market forces — from AI to climate disruption, regulatory change, and shifting geopolitics — are reshaping the landscape, demanding bold strategic choices and significant investment.

Now in its second year, PwC's Global Business Services Index shines a light on one of the world's most significant yet understated value-driving industries. Despite the turbulence of the past year, the sector has demonstrated resilience: investing in innovation, strengthening productivity, and delivering impressive gains in cash flow across the board.

Performance, however, has been far from uniform. Legal Services have been the standout performer, propelled by broad-based growth across practice areas and robust operational performance. Built Environment Services and Logistics and Distribution firms have also advanced, fuelled by strong demand for waste management, security solutions, and regional expansion in Asia. Digital and Education Services organisations that embraced AI and new delivery models recorded notable successes, confirming technology's power to unlock long-awaited productivity improvements.

At the same time, Human Capital Management and Business Process Outsourcing providers face persistent challenges as demand softens in some client segments. Yet the emergence of agentic AI offers the prospect of transformative change — provided firms are ready to commit to the required investment.

Importantly, governments are starting to recognise the industry's critical economic role. In the UK, Professional and Business Services has been elevated, for the first time ever, as a priority sector within the national industrial strategy, underscoring its contribution to growth, competitiveness, and jobs.

As industry boundaries converge, Business Services firms are not only enabling transformation in other industries — they are also reshaping themselves. Half of CEOs now report competing in adjacent markets, with new business models and client solutions emerging at pace.

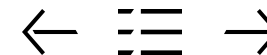
At PwC, we see this as a moment of opportunity. Those willing to be bold — to invest, innovate, and reimagine — will be the ones to lead the Business Services industry forward. Our Global Business Services team combines deep sub-sector expertise with proprietary data and benchmarking. We would be delighted to share insights or support you in charting your organisation's course through this dynamic landscape.



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						Legal and Professional Services	
Sectors	Built Environment Services (BES)	Business Process Outsourcing (BPO)	Digital and Education Services (D&E)	Human Capital Management (HCM)	Logistics and Distribution (L&D)	Testing, Inspection, and Certification (TICC)	Legal Services (LS)	Professional Services (PS)
Sub-sectors	Facilities & real-estate management	Tech BPO	Education services	Recruitment solutions	Logistics providers	Inspection and certification	Legal services providers	Consulting, audit, and risk services
	Providers of facility management, building and landscaping services, real-estate consultants.	Providers of pure-play BPO services that focus on technology-related functions (IT, tech-support).	Providers of learning and upskilling services, excluding institutes and universities.	Third-party service providers specialising in permanent recruitment services.	Providers of delivery, logistics, and transportation services with B2B focus.	Providers of testing, inspection certification services for building, materials to verify compliance standards.	Law firms providing services such as document review, contract management, legal research, e-discovery, compliance support, and other legal tasks.	Providers of management/technology consulting services, auditing, & risk services.
	Security solutions	Non-tech BPO	Data providers	Staffing solutions	Distribution or wholesale	Healthcare diagnostics and testing		
	Providers of physical and digital security solutions.	Pure-play BPO service providers across functions.	Providers of data and specialised digital services.	Providers of temporary or contract staff as needed.	Providers of distribution services or wholesalers.	Providers of testing & diagnostic services for healthcare sector.		
	Waste management				Supply chain solution /freight arrangement			
	Providers of waste disposal and management services.				Providers of supply chain (SC) solutions and freight forwarding services.			



Value in Motion:

Business Services at the forefront of
industrial reconfiguration

As traditional barriers between industries dissolve, new value pools are emerging across the new domains of growth



An age of convergence

Three transformative forces are redefining the global economic order and putting **Value in Motion**: Artificial intelligence (AI), climate change, and geopolitical realignment.

AI is unlocking new productivity frontiers, while physical climate risks are prompting a reassessment of long-held assumptions about economic growth. At the same time, geopolitical tensions are reshaping trade, supply chains, and market access.

These powerful, colliding forces, interacting with other megatrends such as ageing populations and social inequality are forging systematic industrial reconfiguration.

This is leading to the emergence of what we call the new domains of growth. In these spaces, as traditional boundaries between industries dissolve, businesses must collaborate in innovative ways.

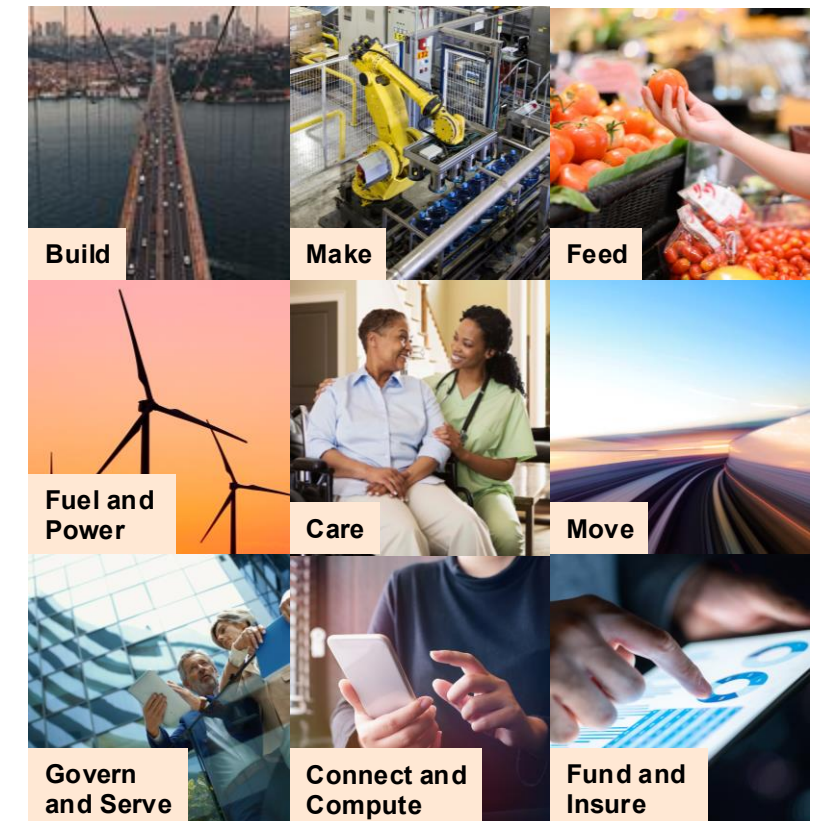
Value is shifting into new domains of growth—markets where companies work across sector boundaries to meet fundamental human needs

The core domains are centred around fundamental human needs: How we move, feed, and care for ourselves; build and make things; and fuel and power society. And they are all in transition. They are supported in their evolutions by three crucial enabling domains — how we fund and insure, connect and compute, and govern and serve. In each, linear value chains are being disrupted, new value pools are forming, and some existing value pools are shrinking.

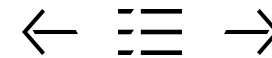
\$132.5^{tn}

of combined global value across the following 9 domains by 2035

9 'domains of growth'



Business services firms are strategically positioned to drive value shifts across industries, unlocking emerging opportunities for both their clients and themselves



Business services play an essential role in facilitating cross-industry convergence

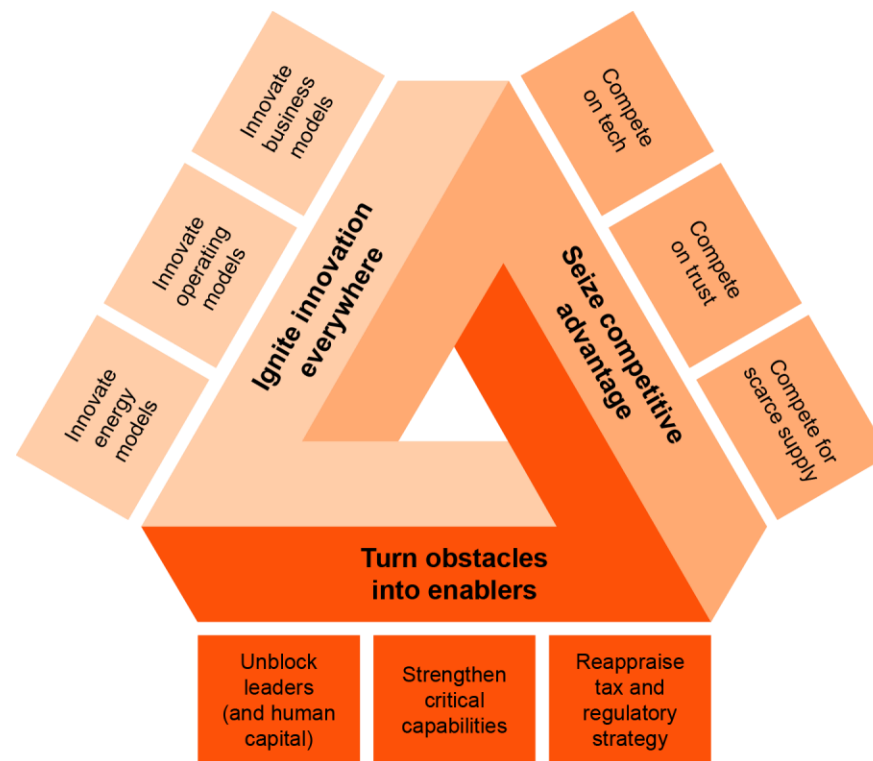
Navigating this fast-evolving landscape will require companies to continually reinvent their business and operating models, embrace emerging technologies, and secure energy and other scarce resources of advantage.

Business services players will be central to this reconfiguration. Acting as key enablers, they will help companies build critical capabilities, unlock leadership and resources, and rethink tax and regulatory strategies, among other priorities essential for preparing for the world ahead.

1 in 2

global business services CEOs state that they have begun competing in a new sector or industry they previously had not been competing in over the past five years.

How business services players will enable transformation of industries



Business service firms will capture a portion of the new value created

These domains also present significant opportunities for business services firms whose operations span and support all of them. To thrive in a world of Value in Motion, industry leaders will need to recognise the cross-sector possibilities, reimagine their role in a rapidly evolving landscape, and reinvent their own business models.

For instance, logistics players can support smart manufacturing through digital twins that simulate and optimise supply chain operations (how we make), enable smart mobility via autonomous fleet management and urban delivery networks (how we move), and strengthen resilient food systems and public health through cold chain logistics and traceability (how we feed and how we care).

36%

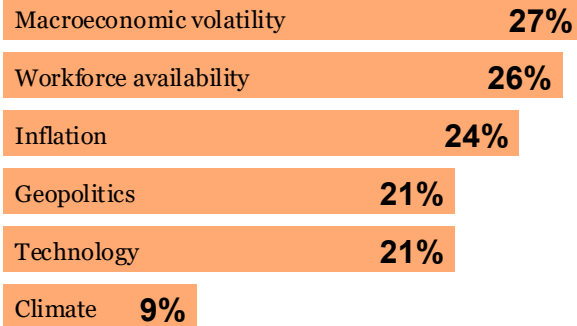
of global business services CEOs state that more than 20% of their revenues in the last five years came from competing in new sectors and industries.

A considerable gap remains between the industries of today and the domains of tomorrow

Alongside new opportunities, these shifts are also introducing risks that firms will need to navigate

While these shifts are opening up new opportunities, they also bring a range of uncertainties as companies venture into new and evolving markets. Leaders who embrace this uncertainty are more likely to grow effectively and make smarter choices about where and how to compete.

Percentage of business services CEOs that indicate high or extreme exposure to these threats in the next 12 months.



To successfully capture emerging opportunities and mitigate risks, an understanding of current state is key

Business services firms must begin with a clear and realistic assessment of their current position, as today's performance lays the foundation for tomorrow's trajectory.

44% of business services CEOs believe that their business model will not be viable in the next 10 years or less.

While some firms may be better positioned to seize emerging opportunities, those trailing behind still have a chance to catch up, provided they take deliberate steps to address existing gaps and invest in reinvention.

39% of business services CEOs state that their company has developed innovative products and services to a large extent over the last 5 years.

Four critical dimensions of enterprise performance



Growth



Profitability



Productivity



Cash flow

Building on this foundation, firms must then assess how they can realign the way they operate across four key performance dimensions

PwC's Business Model Reinvention (BMR) Pressure Index shows that the urgency to reinvent business models remains elevated across most industries. In business services, logistics players have faced particularly intense pressure since the onset of the COVID-19 pandemic.

These pressures will continue to amplify. To stay ahead, business services companies must focus on how they operate across four critical dimensions—pinpointing areas of underperformance and identifying strategic shifts that can position them for long-term growth and resilience.

2

GBSI 2025:

Industry holding ground in an uncertain environment

Helping 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

To identify a company’s path forward and formulate a winning strategy, leaders must constantly re-assess their current state of operations, as markets are evolving rapidly.

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.

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Sector index score		
Index dimension	Index metric	Units
Growth 	Revenue	USD, millions
	EBIT	USD, millions
Profitability 	Gross margin	Percentage, %
	EBIT margin	Percentage, %
Productivity 	Revenue per employee	USD, thousands
	Asset turnover	Ratio
Cash flow 	Operating cash flow (OCF) ratio	Ratio
	Quick ratio	Ratio

Note: Sector index reflects a normalised score relative to the base year of FY19 (= 100)

The 2025 GBSI score reflects a slight improvement in overall industry performance but diverging trends in sectors



116

+1

year-on-year

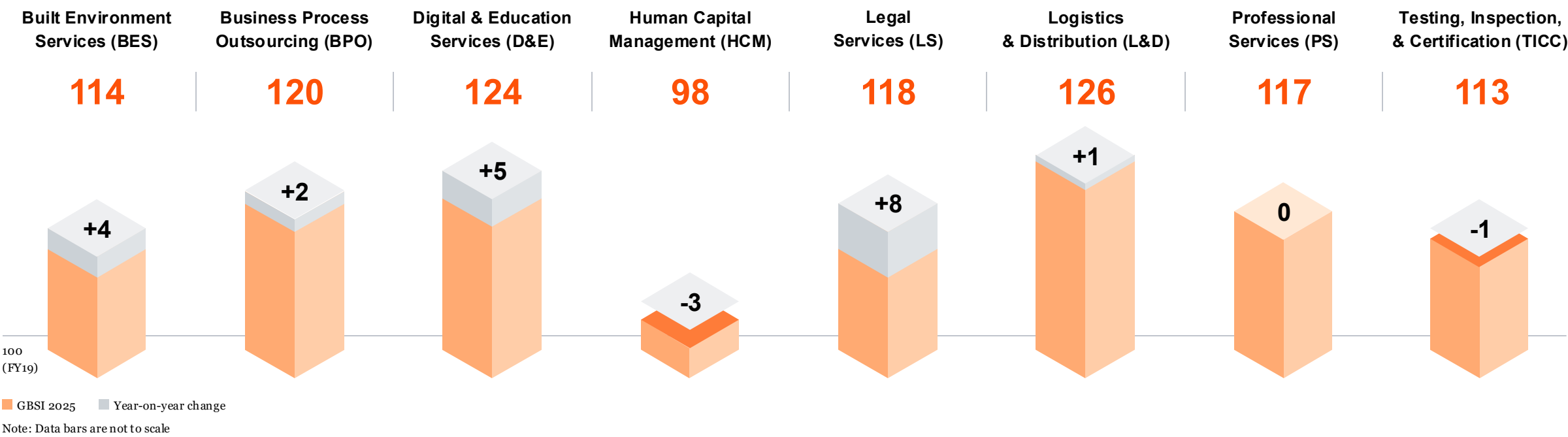
= 100 (base score with FY19 as reference year)

GBSI Industry Score¹

The modest rise in the industry score was powered by notable gains in the Legal Services, Digital and Education Services, and Built Environment Services sectors. Legal Services led the improvement, posting the highest year-on-year score increase, driven by favourable demand trends and enhanced billing rates.

In contrast, the Human Capital Management sector continues to struggle, following a partial bounce-back from COVID-19. Margin pressures within TICC have also slightly lowered its sector score. Logistics and Distribution, Professional Services, and the Testing, Inspection, and Certification sectors remained resilient, maintaining relatively consistent performance across dimensions.

1. The overall Global Business Service Index score is an aggregation of individual sector scores to facilitate a cross-sectoral view on how Business Services — as an industry — has performed in FY24 and FY23.



Business services leaders have identified several key priorities across performance dimensions to enable resilient growth



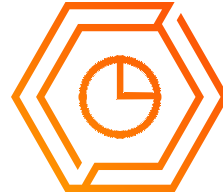
Growth Turnover and earnings

Most sectors recorded improvements on the growth dimension index. Moving forward, firms are countering challenges of an uncertain economic landscape and evolving customer expectations by earmarking key initiatives to remain well-positioned for future growth:

Expanding **portfolio of digitally-enabled service offerings** to better align with evolving customer expectations

Foraying into **adjacent markets** to deliver more **integrated solutions** to customers and increase wallet share

Complementing organic growth with **strategic M&A and partnerships** to accelerate time-to-market



Profitability Cost and profit margins

Cost pressures from inflation, shifts in business mix, and other factors compressed profit margins, resulting in either a decline or only marginal improvement in the profitability index across most sectors. To boost margins, firms have outlined three major countermeasures:

Prioritising **differentiated, higher-margin services** to improve the bottom line and drive sustainable growth

Maintaining **strict cost discipline** to reduce overhead expenses and improve financial resilience

Adopting **global delivery models** to optimise costs as well as access high-skilled talent across emerging markets



Productivity Workforce and asset efficiency

All sectors saw gains in productivity. While part of this progress stemmed from efforts to streamline the workforce in response to evolving requirements, companies are also moving forward with key priorities to drive long-term productivity enhancements:

Expanding **investments in digital tools**, including generative AI (GenAI) solutions, to streamline processes and improve efficiency

Investing in **talent pipelines and skill development** to equip the workforce with capabilities needed for future advancements

Shifting to **asset-light models** to enhance capital efficiency and operational agility, allowing firms to scale with lower fixed costs



Cash flow Liquidity and financial health

Most sectors reported year-on-year improvements on the cash flow index. However, cash flow and liquidity continue to be key priorities across the industry. In preparation for future challenges, firms are actively focusing on these key strategies to fortify cash flows:

Strengthening cash collections through measures such as electronic invoicing to improve liquidity and reduce receivables

Pursuing **recurring revenue streams** such as digital subscriptions for more stable cash flows

Enhancing cash flow forecasting capabilities with technology solutions to improve visibility and control over liquidity

...and many have already begun executing these imperatives to reinvent how their firms deliver value



According to PwC's 28th CEO Survey, business services CEOs have undertaken these reinvention actions:

39%

Innovative services

Leading players are diversifying their service portfolios by introducing innovative offerings. These are increasingly powered by emerging technologies like AI and analytics, enabling greater client value as well as improved operational productivity.

36%

New customer groups

Beyond diversifying service offerings, business services companies are engaging new customer groups to drive organic growth of their core offerings. As demand for cross-sector solutions rises, companies are leveraging their expertise to tailor offerings that address industry-specific challenges, fostering deeper customer relationships and unlocking new revenue streams.

26%

Collaborations

As industries converge, business services providers are increasingly pursuing cross-industry collaborations to drive innovation and capture growth opportunities. Emerging ecosystems are further enabling collaboration and blurring industry boundaries, paving the way for multipurpose platforms.

25%

Alternative routes to market

Delivery models of services are undergoing a shift, as business services players explore alternative routes to market and delivery channels to efficiently reach target audiences and optimise customer engagement through digital platforms and strategic partnerships.

24%

Pricing models

To fight margin pressures and hedge against macroeconomic volatility, firms are reassessing their pricing structures and adopting more flexible, dynamic pricing strategies, helping them better align offerings with customer demand and the competitive landscape.

Note: Percentage of respondents that indicated "to a large/very large extent" when asked about to what extent their company taken these actions in the last five years

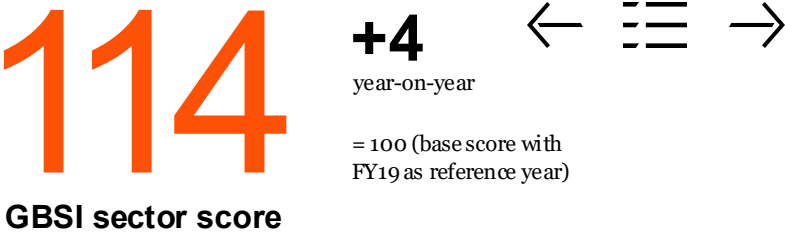


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Sector snapshots:

Uneven momentum across the landscape

Positive year for the BES sector, registering improvements across all performance dimensions



Built Environment Services

The Built Environment Services sector maintained its growth trajectory, though overall profitability remained broadly in line with the previous year. Productivity improved as firms accelerated adoption of technologies such as AI, robotics, and Internet of Things (IoT). Liquidity ratios saw slight increases, reflecting a balanced approach to growth and financial discipline.

Looking ahead, inflation and labour shortages remain key challenges for the sector. At the same time, digitally-enabled solutions are becoming critical for driving efficiency and growth. These shifts are driving firms to rethink operational models, realign talent strategies, and evolve value propositions to remain competitive.

“As the sector embraces digitally-enabled solutions, companies are unlocking more predictable revenue streams. Simultaneously, firms are becoming more integrated players, signalling a trend toward sector consolidation.

Simon White, Partner, PwC UK

Growth

141 +7

Waste management emerged as a **standout segment**, leading revenue expansion through organic growth and acquisitions. Security providers maintained growth, driven by demand for **digital and AI-enabled services**. Facilities management saw slower growth but is poised to benefit from the return-to-office trend and rising demand for **technical building services** supporting sustainability.

Profitability

102 +1

Profit margins remained at similar levels as concerted efforts to **control costs** helped offset **inflation-driven pressures**. As part of these initiatives, companies worked to standardise processes, reduce headcount in non-core functions, optimise utilisation of facilities, improve procurement practices, and divest underperforming businesses.

Productivity

107 +3

Technology adoption is driving **productivity gains** across all segments, with revenue per employee increasing even amid overall headcount growth. Asset turnover remained flat as **revenue growth was offset by investments in future-focused assets** aimed at driving long-term efficiency and expansion.

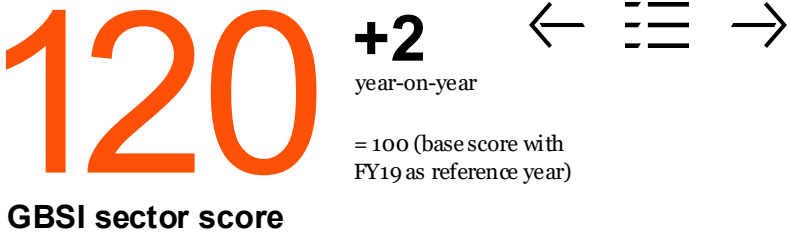
Cash flow

106 +6

Liquidity ratios saw a moderate increase, reflecting careful spending agendas. Firms used **cash from rising incomes** for **strategic investments** in capital expenditure, acquisitions, and R&D, while keeping liabilities steady. Going ahead, firms’ focus on expanding **recurring revenue streams** could further boost cash flows.



Macro headwinds slowed BPO sector growth, but the sector is positioned for an AI-led recovery



Business Process Outsourcing

The BPO sector faced challenges this year, as subdued client demand amidst a challenging macroeconomic environment slowed growth. Modest revenue gains and rising wage costs also contributed to squeezed margins. Nonetheless, firms have seen improved productivity through streamlined workforces and have started exploring GenAI solutions to further enhance efficiency.

Stronger working capital management improved liquidity, which together with increased productivity, contributed to a 2-point increase in the overall sector score.

Looking ahead, the sector faces mounting pressures from macroeconomic volatility, AI disruption, and fierce competition for digital talent, requiring BPOs to rapidly innovate and transform their workforce.



Overall client demand was dampened by macroeconomic uncertainty. However, expansion in certain verticals like Government and Defence for tech BPOs, and in specialised offerings such as language services for non-tech BPOs, helped partially offset **declines in legacy business lines**. Going ahead, **AI-focused solutions** and services could emerge as a **key growth driver** for the sector.



Workforce optimisation, particularly at tech BPOs, has contributed to **productivity improvements** and greater revenue generation per employee. Asset turnovers remained flat, but ongoing **investments in GenAI capabilities** could result in greater asset and workforce productivity in the future.



Gross margins dipped slightly due to **higher talent costs** and an unfavourable business mix. Rising labour expenses also impacted SG&A, but firms responded with **cost optimisation efforts** including right-sizing global real estate, reducing professional services and contractor spend, increasing automation, and leveraging global delivery capabilities.



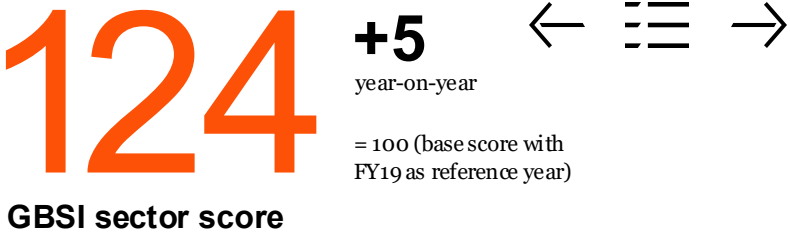
Liquidity in the sector improved notably, helped by initiatives to **collect cash faster and cut overhead expenses**. The **enhanced liquidity is enabling strategic investments** in AI solutions, cloud infrastructure, and acquisitions. Simultaneously, firms are adopting a more measured approach to investments in physical infrastructure.

“ AI remains a key topic in the sector, with many firms trialling GenAI solutions to boost efficiency. However, in the near term, building and expanding global delivery capabilities (i.e. offshoring) will remain vital for optimising costs.

Dan Sipple-Asher, Partner, PwC US



Digital and Education Services providers have turned the looming threat of AI into a competitive advantage



Digital and Education Services

Technological advancements are set to redefine value delivery across the Digital and Education Services sector. This transformation is already underway, with sector players launching new AI-enabled solutions that are driving growth and profitability.

These innovations have also empowered digital and education firms to reclaim market share from technology companies, which initially gained traction through more generic AI offerings. In parallel, firms are increasingly adopting inward-facing AI tools, anticipating efficiency gains.

“As customer demands evolve, specialised data solutions and blended learning services have shifted from being competitive differentiators to table stakes.

Georgia Moss, Director, PwC UK

Growth

168 +10

Revenue performance varied by business model, with **digital-first companies reporting growth**, while those reliant on **legacy offerings saw declines**. For digital-first players, AI-driven solutions were a key growth driver. Advancements in AI also enabled firms to quickly adapt their service offerings and enter new geographies.

Profitability

115 +3

A **favourable business mix**, driven by a growing share of higher-margin digital offerings, has strengthened gross margins. To further boost profitability, firms have **automated support functions** and optimised headcount within these areas, contributing to improved EBIT margins.

Productivity

107 +6

Initiatives to **streamline workforce in support functions** have translated to increased revenue per employee and enhanced productivity. At the same time, firms are **exploring AI tools to automate workflows** and overall efficiency. Meanwhile, revenue growth has kept pace with the expansion of assets, helping maintain stable asset ratios.

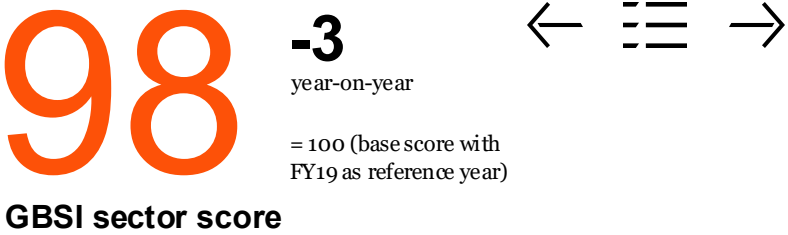
Cash flow

105 +1

Operating cash flow ratios have risen slightly, driven by **strong revenue and profit growth**. However, this improvement has been partially **offset by an increase in liabilities**, driven by additional expenses from geographic expansion and the launch of new cloud and AI offerings. Quick ratios also remain healthy, as current assets and liabilities have increased in parallel.



Challenging market conditions have intensified pressure on growth and profitability for the HCM sector



Human Capital Management

Softening demand for legacy services is amplifying macroeconomic pressures on Human Capital Management (HCM) services providers. As a result, the shift towards technology-enabled offerings is becoming the new norm, where late movers risk losing their competitive edge over innovators.

To respond to these pressures, companies doubled down on productivity and restructuring efforts. Profitability in particular continues to decline year-on-year — now nearly 25% below FY19 levels. As a result, the overall HCM score has dropped below the baseline, prompting the urgent need for reassessing business models across the sector.



As **demand continues to stagnate** or even drop across both temporary and permanent hiring, many companies are experiencing reduced revenues and profits, sparking concerns about the sustainability of legacy offerings over the long term. In contrast, select outperforming companies have diversified into high-margin **specialty services** such as STEM staffing and technology solutions.



Recruitment firms have enhanced productivity by efficiently streamlining their headcount in response to challenging market conditions, distinguishing themselves from staffing counterparts who saw declines in revenue per employee. **Digitalisation remains a priority** for firms, as leaders recognise the expected efficiency gains, although the **sector is lagging behind** others.



Profitability in the HCM sector has further declined in FY24, largely due to **escalating costs of services** and restructuring expenses. Rising employee and contractor expenses have adversely affected gross margins across the board. Moreover, unusual **restructuring expenses** at some firms have contributed to a decline in sector EBIT margins.



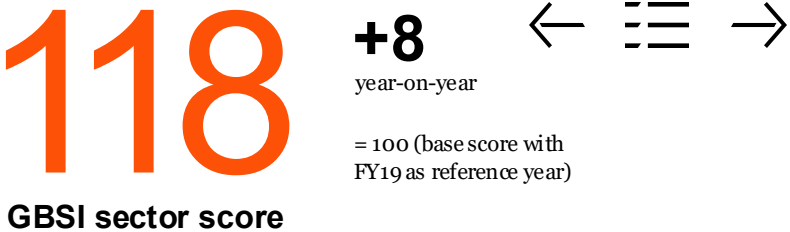
Liquidity ratios have increased year-on-year, resuming to FY19 levels, supported by improvements in cash collection cycles. Firms are prioritising liquidity through **diligent expense management** to remain agile for restructuring initiatives.

“
For staffing and recruitment firms, aligning service portfolios with market needs is crucial to navigating shifting sector dynamics and maintaining a competitive edge.

Laurie Priest, Partner, PwC US



Broad-based increase in demand, paired with rate increases, fuelled strong growth in the Legal Services sector



Legal Services

Law firms closed FY24 on a high, reporting solid growth in both revenues and operating profits. Margins saw slight improvements, supported by top-line gains and effective cost management initiatives. Productivity has shown improvement across the sector, supported in part by the rising adoption of digital tools. Liquidity ratios remained stable, but firms have begun taking proactive steps

to strengthen cash collection. Going forward, the sector will need to navigate evolving client expectations, macroeconomic headwinds, and rapid technological advancements. These changes are already prompting firms to restructure operations, reassess pricing strategies, adjust geographic footprints, and expand adoption of digital tools.

“ AI remains in its relative infancy within the Legal sector, with only the largest firms starting to commercialise new tools. Going forward, broader investments in data infrastructure will be crucial for widespread adoption. Lucy Robson, Partner, PwC UK



Strong growth in revenue and profits was driven by higher **billing rates** and **rising demand** across various practice segments. This impressive top-line growth outpaced cost increases, resulting in a notable uplift in profits. To capture this momentum, firms **expanded their global footprint**, positioning themselves to better serve a broader client base.



Gross margins remained stable as firms were able to **absorb compensation costs** through increased earnings. To further enhance bottom-line profitability and deliver more tailored client solutions, larger firms are increasingly **establishing global delivery centres**. These efforts, combined with disciplined cost control, have resulted in slight improvements in operating margins.



Firms experienced a notable rise in productivity, achieving strong revenue growth with only a modest increase in headcount, reflecting **effective utilisation of existing talent**. Greater **adoption of digital tools** has also contributed to improved efficiency. Larger firms in particular remain more optimistic about the potential of generative AI, though adoption is still in the early stages.



Liquidity ratios have remained stable year-on-year, driven by stronger earnings and more efficient **cash collection**. To enhance future performance, firms continue to focus on **working capital optimisation** — particularly by accelerating receivables through electronic invoicing and revised payment terms.



Growth in the Logistics and Distribution sector is on an upwards trajectory after a period of softened demand



Logistics and Distribution

The sector is increasingly exposed to key megatrends, including rising tariffs on goods and services, rapid technological advancements, and inflationary pressures. These evolving dynamics are not only constraining traditional growth opportunities but also necessitating a fundamental rethinking of how value is delivered to clients.

Looking at FY24 performance, profitability came under pressure due to elevated cost inflation. However, this was partially offset by gains in workforce productivity and disciplined cost management. Liquidity ratios also saw a slight decline, reflecting the impact of recent restructuring efforts and acquisition-related investments.

“ Tariffs dominate conversations in global logistics. While they present many risks, they also open doors to new opportunities but require logistics providers to adapt and innovate. Richard Pugh, Director, PwC UK

Growth

163 +5

Revenues in the Logistics sector continued to normalise in FY24, with moderate growth primarily driven by **demand for ocean and air freight in Asia**. However, cost inflation caused a decline in year-over-year EBIT growth, though partially offset by **pricing increases** and disciplined cost management strategies.

Profitability

122 -1

Price increases bolstered gross profits, largely offsetting inflationary pressures on service costs and resulting in only a **slight margin compression**. Efficiency gains and **stringent cost-control** measures further supported the retention of bottom-line profitability despite elevated overhead cost expenses.

Productivity

107 +5

Earlier investments in **productivity-enhancing technology** are beginning to pay-off, boosting revenue per employee even as headcounts remained stable. In addition, firms are **transitioning towards asset-light models**, placing greater emphasis on value-added services that offer higher efficiency and scalability.

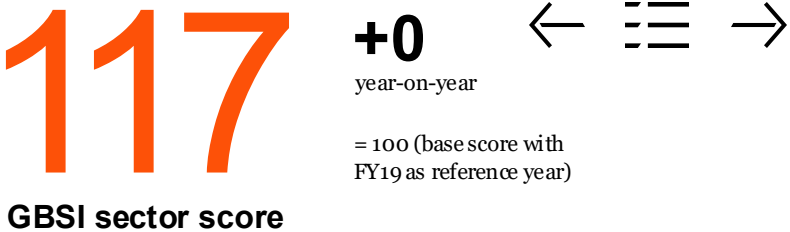
Cash flow

113 -2

Substantial capital investments in **digitalisation** and integration initiatives weighed on operating cash flow, moderately reducing OCF ratios. Similarly, quick ratios decreased, as **growth in payables** to vendors and short-term debtors outpaced temporary cash conversion.



Resilient organic demand, supported by growing engagements in digital services, fuelled growth in the PS sector



Professional Services

Sector growth accelerated, but margins remained flat, as gains were offset by rising payroll costs. Productivity saw an uplift thanks to growing investments in global delivery models and digital tools. Meanwhile, liquidity ratios dipped slightly, as firms reinvested cash from earnings into strategic growth initiatives.

Looking ahead, rising economic volatility, rapid innovation, and intensified competition for talent are emerging as key challenges impacting sector performance. To remain competitive, firms must reinvent delivery models, build future-ready capabilities, and enhance their employee value propositions.

“ Amidst major disruptions in the global business environment, professional services firms are demonstrating their resilience in providing clients with adaptive and innovative offerings to tap into emerging value shifts. Alexander Reitmann, Partner, PwC Strategy& Germany



Revenue growth accelerated, driven by **sustained demand for core services** and rising interest in **digital offerings**. This was further reinforced by effective pricing adjustments. These trends, combined with **cost optimisation initiatives** and a favourable revenue mix at some firms, also contributed to profit growth.



Gross margins remained largely stable, as higher payroll expenses due to **wage inflation** and **increased hiring** were offset by **improvements in pricing**. EBIT margins also remained broadly consistent with FY23, as SG&A and technology-related expenditures increased in line with revenue growth.



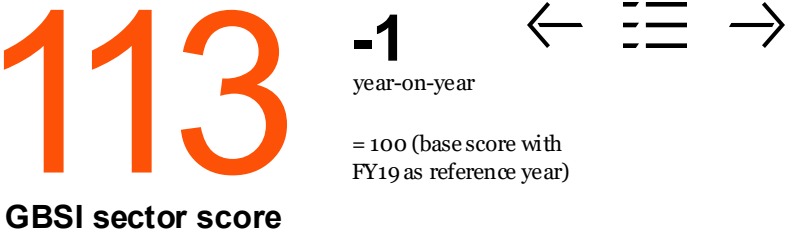
Firms reported productivity gains, supported by **global delivery models** and accelerated adoption of digital tools. **GenAI remains a key area of interest** for enhancing workforce efficiency, with firms actively exploring both general and specialist AI solutions and collaborating with technology providers to develop tailored tools.



Operating cash flow ratios stayed stable, as higher cash flows were offset by **rising technology-related liabilities**. Quick ratios fell as companies **leveraged strong financial positions to fund growth**. Looking ahead, firms may see further gains as they grow digital offerings with recurring revenues.



New growth avenues driven by AI have inspired TICC firms to quickly expand into related service segments



Testing, Inspection, and Certification

Despite slower growth and restructuring efforts, the overall performance has remained stable year on year. Inorganic growth in higher-margin segments has helped offset cost inflation related to employee and facility expenses. The increasing adoption of digital tools has further enhanced the quality and speed of service delivery, resulting in productivity gains.

However, sector players must adapt to shifting market dynamics, as technological disruptions and changing demand patterns become increasingly frequent. For example, AI regulations are opening up new service segments for certification firms, while healthcare service providers face growing pressure to adopt AI tools to boost productivity and operational efficiency.

“As global compliance demands rise, TICC players are poised to unlock new revenue streams, but must concentrate on building robust capabilities.

Simon White, Partner, PwC UK



Demand for **AI-related solutions** has supported growth for TICC players, giving rise to new markets and fuelling expansion. Revenue and profit increases are predominantly driven by **organic growth** across operations, **supplemented by strategic acquisitions** of smaller niche market entities aimed at penetrating high-growth business lines.



Inspection and certification firms **maintained profitability levels** despite rising staff and asset expenses. In contrast, healthcare **diagnostics firms saw margin declines** due to increased labour costs and **discontinued COVID-19 testing services**. Notably, specialised players such as veterinarian diagnostics firms achieved higher margins than their generic peers.



The integration of **digitals tools** is enhancing **service delivery** within the TICC sector. By streamlining processes, these solutions, which include AI-driven tools, have empowered employees to work more efficiently and productively. **Asset-led growth** remains the dominant trend across both sub-sectors, with a slight **increase in facility utilisation**, resulting from growing digitalisation.



Liquidity remains robust across the sector, allowing firms to reinvest profits into strategic initiatives such as expansion of footprint and capabilities. Healthcare diagnostics players in particular **have ramped up investments in technology and transformation**. Overall, firms have taken a balanced approach — prioritising growth investments while maintaining financial resilience.



In conclusion...

FY24 was a landmark year for the Business Services industry. Despite facing numerous challenges, firms demonstrated remarkable agility and resilience.

The pace of technology adoption accelerated, particularly with the growing use of generative AI tools. Firms expanded into new service areas and geographies, with a strong emphasis on enhancing their digital offerings. Many companies also pursued acquisitions to strengthen their capabilities in emerging domains. These shifts not only helped firms navigate uncertainty but also positioned them for future growth.

As we look ahead, it will be compelling to observe how sector players continue to adapt to emerging trends and leverage the next wave of opportunities created by shifting value pools.

We analyse performance so you can identify optimisation initiatives

PwC's business services teams can help you understand how your company is performing against its sector peers, by offering a detailed performance analysis. To learn more, reach out to the respective sector client teams.

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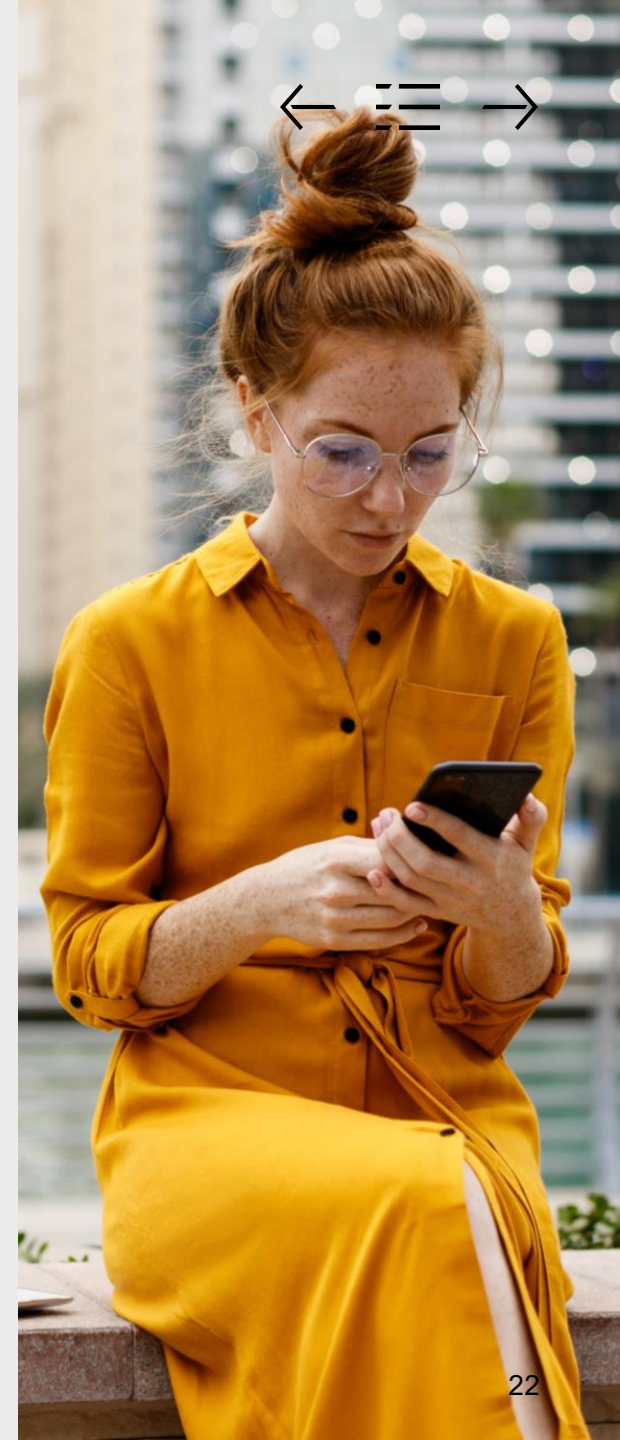
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Appendix

I. Overview

- This report presents an outside-in view of the Business Services industry and the performance across 8 key sectors: (i) Built Environment Services, (ii) Business Process Outsourcing, (iii) Digital and Education Services, (iv) Human Capital Management, (v) Legal Services, (vi) Logistics and Distribution, (vii) Professional Services; and (viii) Testing, Inspection, and Certification.
- 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 30-45 companies has been considered for each sector, and they have been selected based on multiple factors including size, geographic presence/coverage, availability of information, etc.; in select cases, a smaller sample has been considered 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 277 companies).

II. Index calculations¹

1. **Time period and baseline** – The index calculation is based on company data for FY24, FY23 and 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 FY19 and FY24 to derive a **ratio**.
 - The ratios were aggregated across the sector sample 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 FY19 benchmark.
 - If the sector score = 100, results were at par with FY19.
 - If the sector score <100, it underperformed against the FY19 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 Value in Motion](#)
 - [PwC 28th Annual Global CEO Survey](#)
 - [PwC’s Business Model Reinvention \(BMR\) Pressure Index](#)

1. The scores for the 2024 index were recalculated due to changes in sample size and the incorporation of revised financial figures of included companies.

