Global Business Services Index Annual Report 2024

Business Process Outsourcing

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 business process outsourcing (BPO) sector has experienced strong growth and improved margins

The sector's index score is 119 (normalised to the base year of 2019 = 100), with the growth dimension contributing to the strongest improvements in the sector, mainly driven by geographic expansion and acquisitions. While growing high-margin portfolio and strategic cost-cutting measures have supported a stable increase in profitability, productivity and cash flows have only seen minor improvements.

Diversification, technology and inflation have been factors affecting sector performance, urging innovation, and more diversified and tech-enabled service offerings as the business landscape evolves.

Index Score

119

Base year (2019) = 100

BPO sector performance, by dimension:

Growth	**152**
Business services industry average	142

Rapid digitalisation has propelled demand for more sophisticated and high-tech services from omnichannel customer experience solutions to cloud computing, driving growth.

Profitability	**116**
Business services industry average	109

Increased cost pressures translated into higher prices, which improved margins. Reduced subcontractor costs and restructuring initiatives helped manage costs.

Productivity	**105**
Business services industry average	102

While asset downsizing helped as a short-term measure, BPOs are investing in technology and talent to drive proportionate revenue growth.

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

Financial stability moderately improved, impacted by growth in businesses, operational efficiencies, and effective management of assets and liabilities.

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

Sector leaders continue 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 is seeing growing importance, 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

Tech investments can improve processes for BPOs and create new growth opportunities. Firms can also leverage partnerships with start ups to develop more sophisticated offerings – such as AI, predictive analytics, robotics, and cloud capabilities. Non-tech BPOs can integrate mature technologies into their customer relationship management systems to improve efficiency. However, responsible GenAI strategy is also important for balancing growth and risks, and avoiding biases.

Talent

Recruit and cultivate talent to meet evolving organisational needs

To drive growth in new customer segments, service offerings as well as process efficiencies, players need talent with deep-subject matter expertise in AI and supply chain automation. Companies can partner with hyperscalers to accelerate learning & development in emerging technologies. Leveraging outsourcing options in lower-cost countries can also help manage cost efficiencies and access top-tier talent.

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

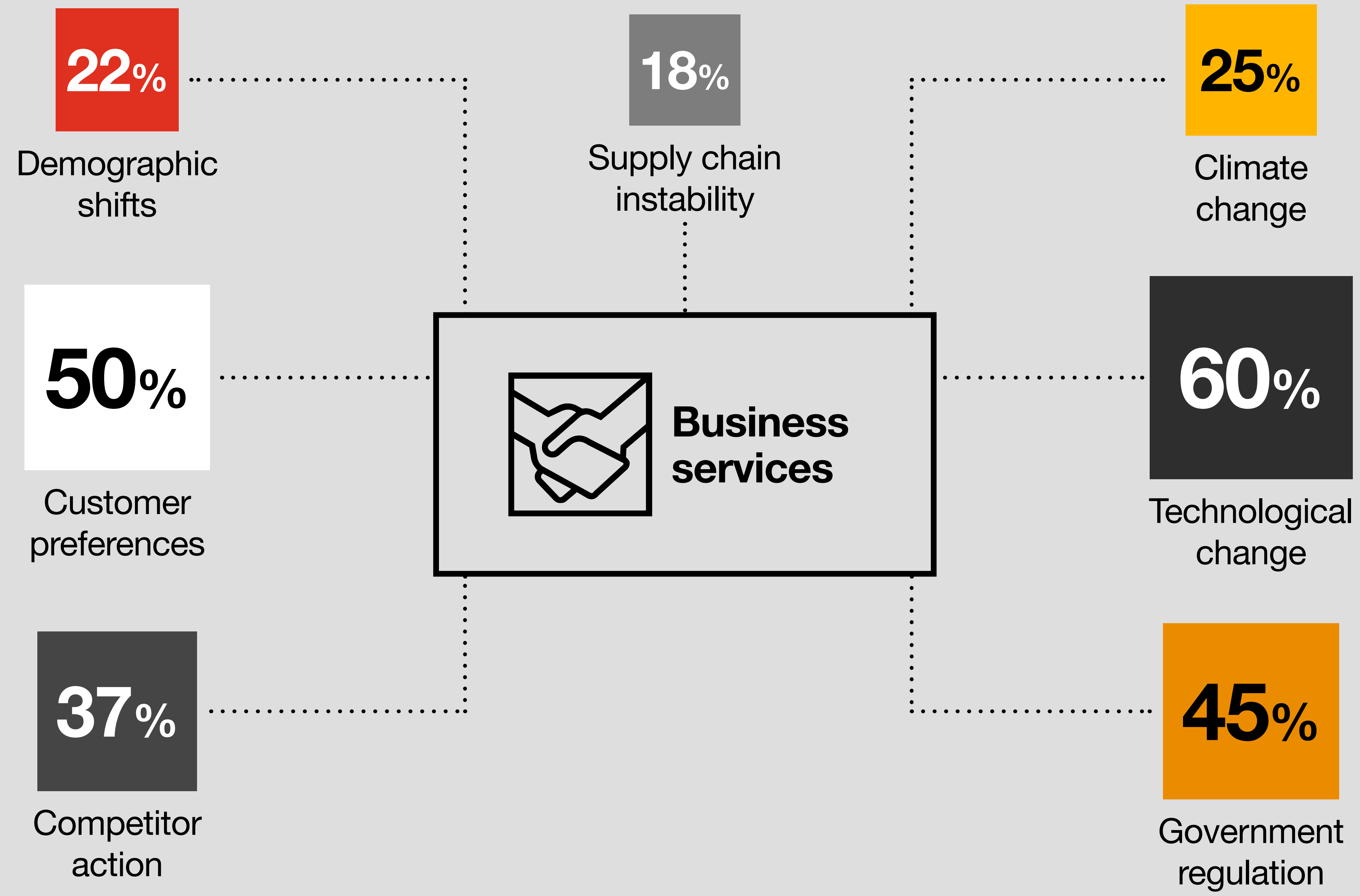
global business services CEOs believe their company will be highly or extremely exposed to inflation in the next 12 months.

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

Business process outsourcing (BPO) services, encompassing information technology (IT) solutions, consultancy, and operational support, form the backbone of organisational efficiency and innovation.

While tech BPOs advise companies on adopting and implementing complex IT infrastructures, non-tech BPOs are primarily offering a broad variety of overhead business functions that support their clients' core competencies.

For instance, to respond to changing customer preferences such as instant availability of customer service representatives or self-service chatbots, companies are outsourcing these customer-facing functions. Due to their massive scale, geographic footprint and expertise, BPOs are able to offer quality of work along with favourable labour costs to clients.

…but there is an increasing need for BPOs to transform their own businesses to deliver value to their clients

Tech BPOs are looking to collaborate with companies to co-create AI-empowered solutions that require niche and deep subject matter expertise, enabling sustained growth and competitive advantage.

Non-tech BPOs are becoming more tech-enabled, providing companies with effective outsourcing options for backend office functions, freeing up capacity for higher value-add activities, and for allowing businesses to operate in a leaner manner.

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

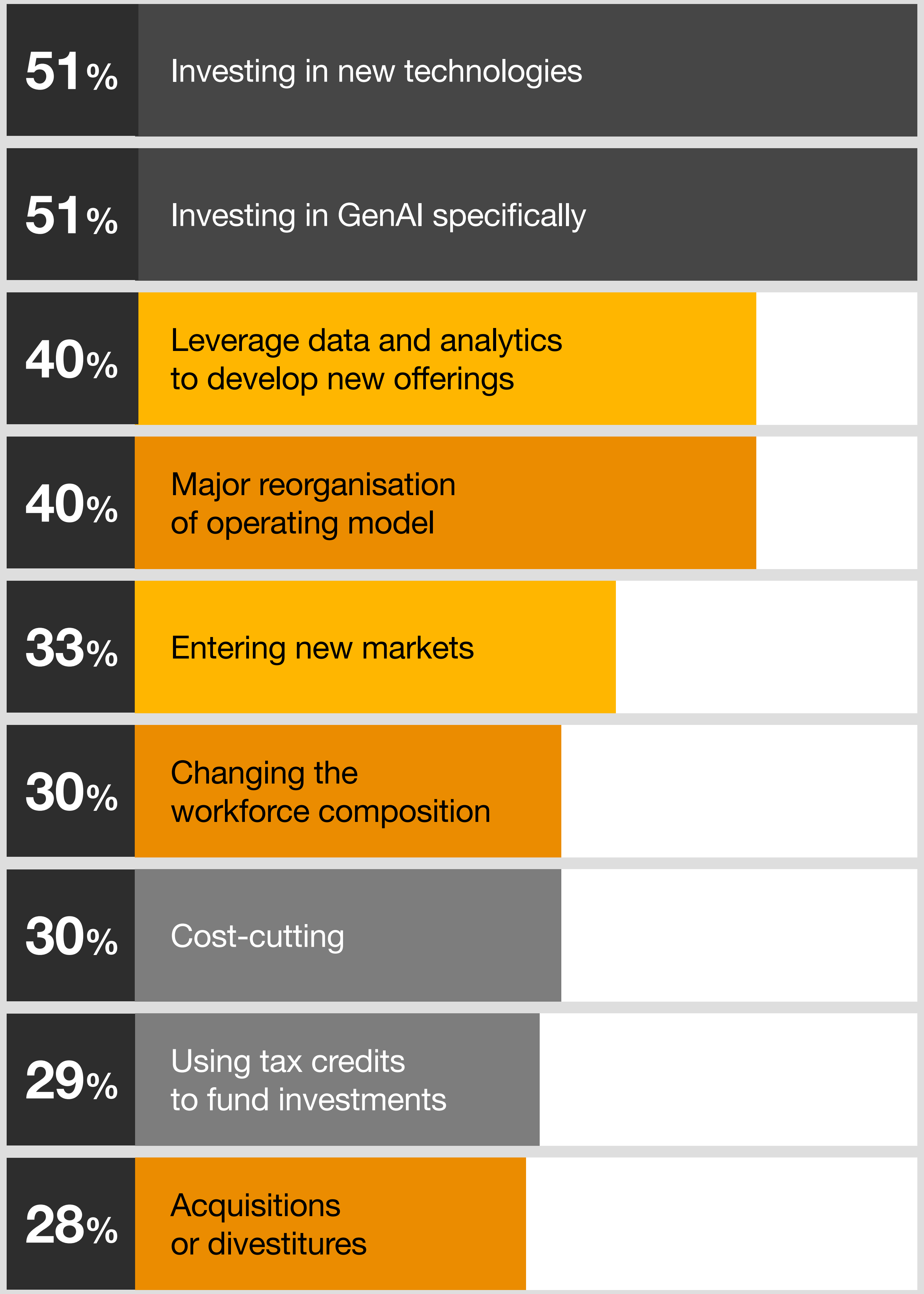
Companies should explore new customer segments and markets to drive transformative growth.

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.

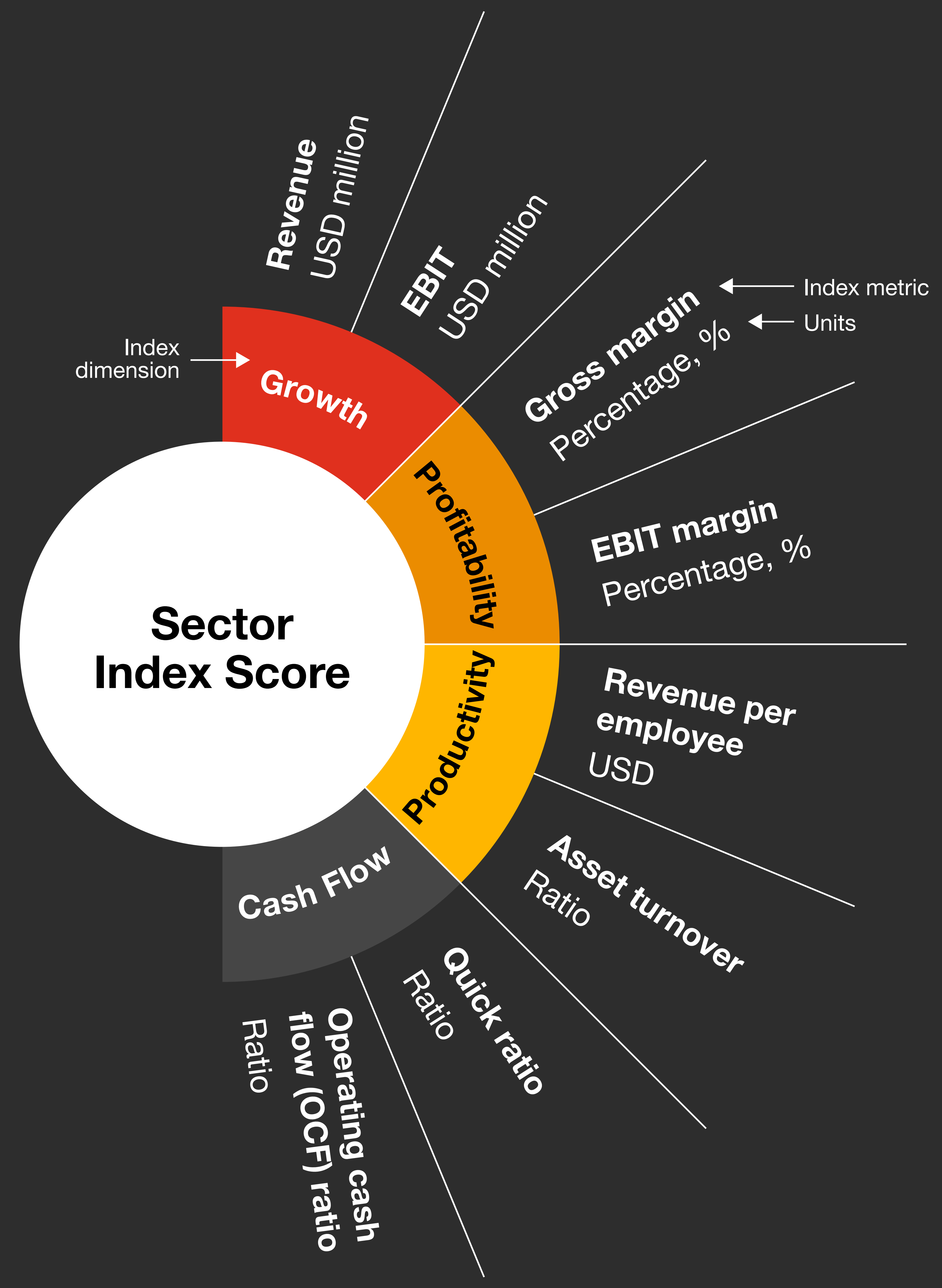
An index for business services can serve as a strategic tool for benchmarking, allowing business leaders to compare their own performance against industry peers and identify areas for improvement

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

BPO sector at a glance

Technology business process outsourcing (Tech BPO)

Providers of pure-play BPO services that focus on technology-related functions (IT, tech support).

Non-technology business process outsourcing (Non-tech BPO)

Providers of BPO services that focus on non-tech functions (admin, finance, operations).

Overall, the BPO sector improved over the last four years, with growth as the top performing dimension

The sector's index score is 119 (normalised to the base year of 2019 = 100), with the growth dimension being the leading contributor to the sector's positive performance over the past years, driven by geographic expansion and acquisitions.

A focus on high-margin portfolio and strategic cost-cutting measures has supported an increase in profitability. Companies also have a better cash position for the recent financial year, and furthermore, with early stages of high-tech adoption, firms see limited improvement in terms of productivity.

Digitalisation, cost inflation, and diversification are key drivers impacting performance

Technology

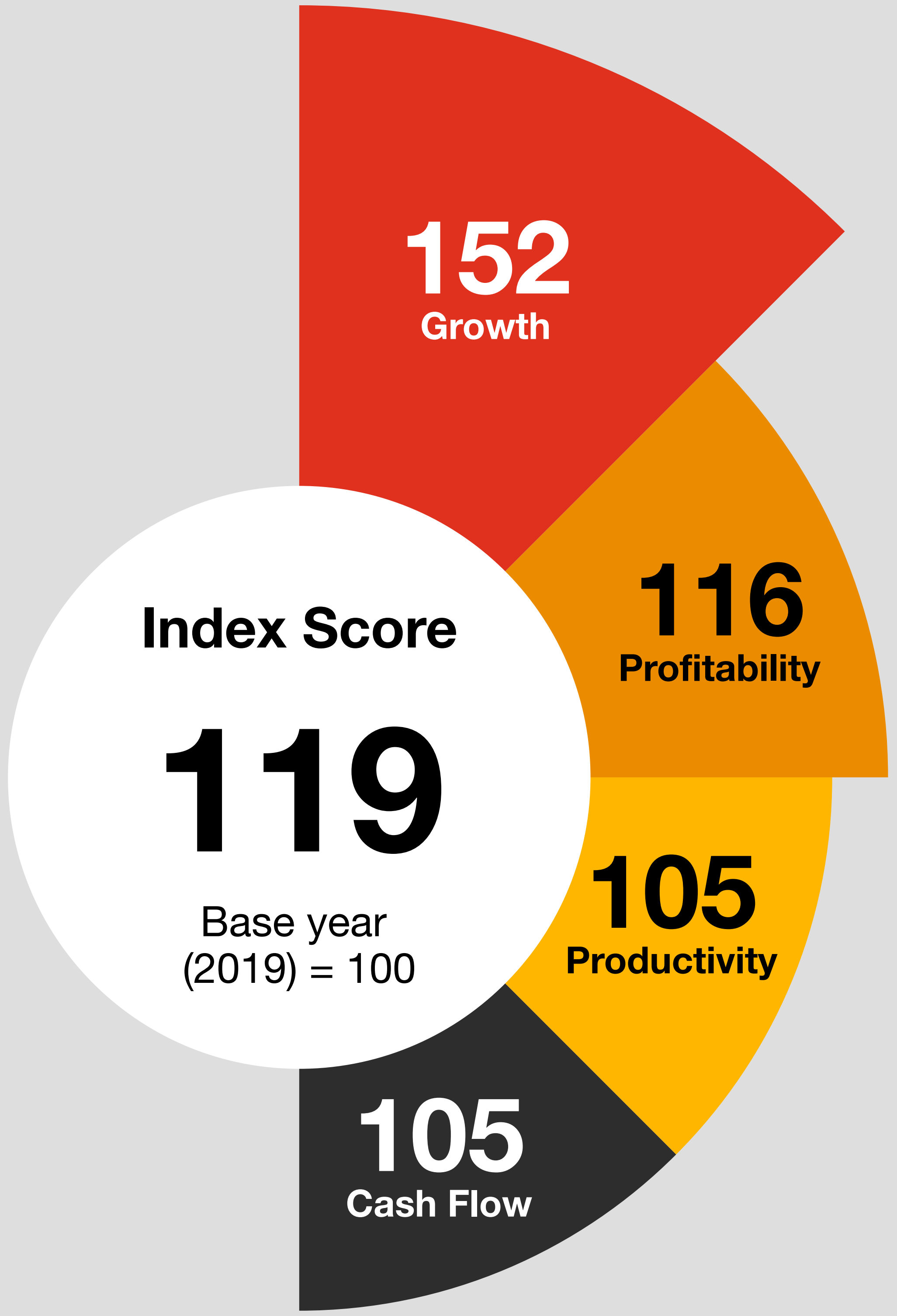
Automation, virtual collaboration and generative AI are some examples of recent technology trends driving businesses to improve their digital infrastructure and delivery model.

Inflation

The 'Great Resignation', global inflation, and the ever-growing demand for niche skills, has led to increased competition for talent and higher costs to attract and retain it. In addition, other operational expenses, such as rent, software licensing, and travel-related costs, are also on the rise.

Diversification

Many BPOs have scaled operations and expanded to new markets, or broadened their engagement with existing clients. While these activities have driven growth, the need for working capital and positive cash flows has increased to fund business priorities.



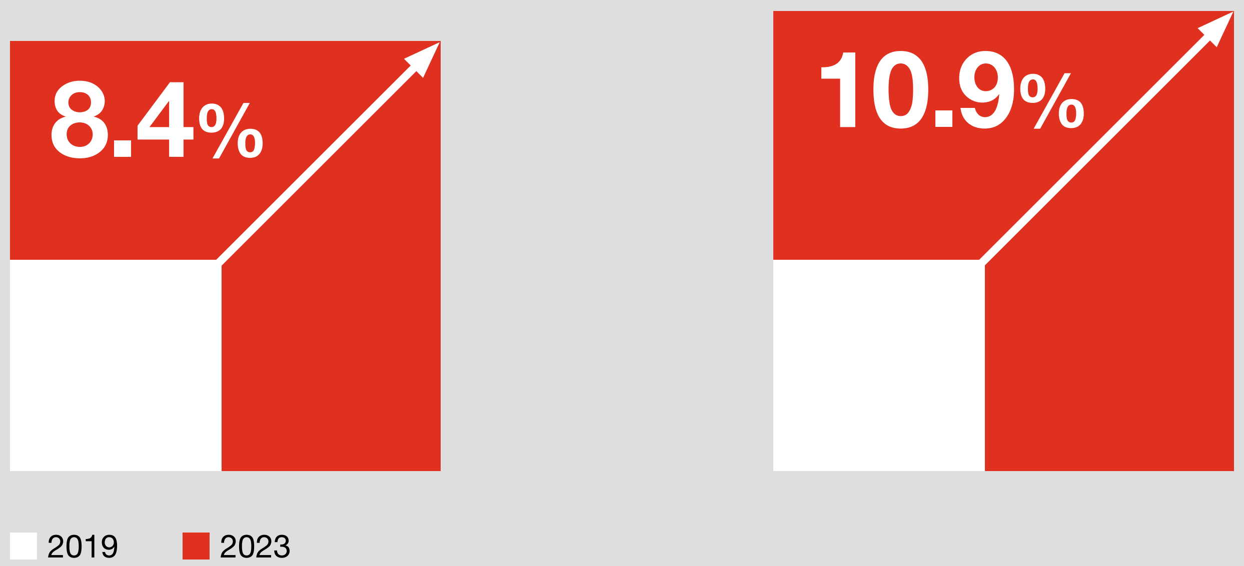
Growth

Dimension Score: **152**

Demand for high value-add, niche services, geographic expansion and aggressive acquisitions has fuelled recent growth

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

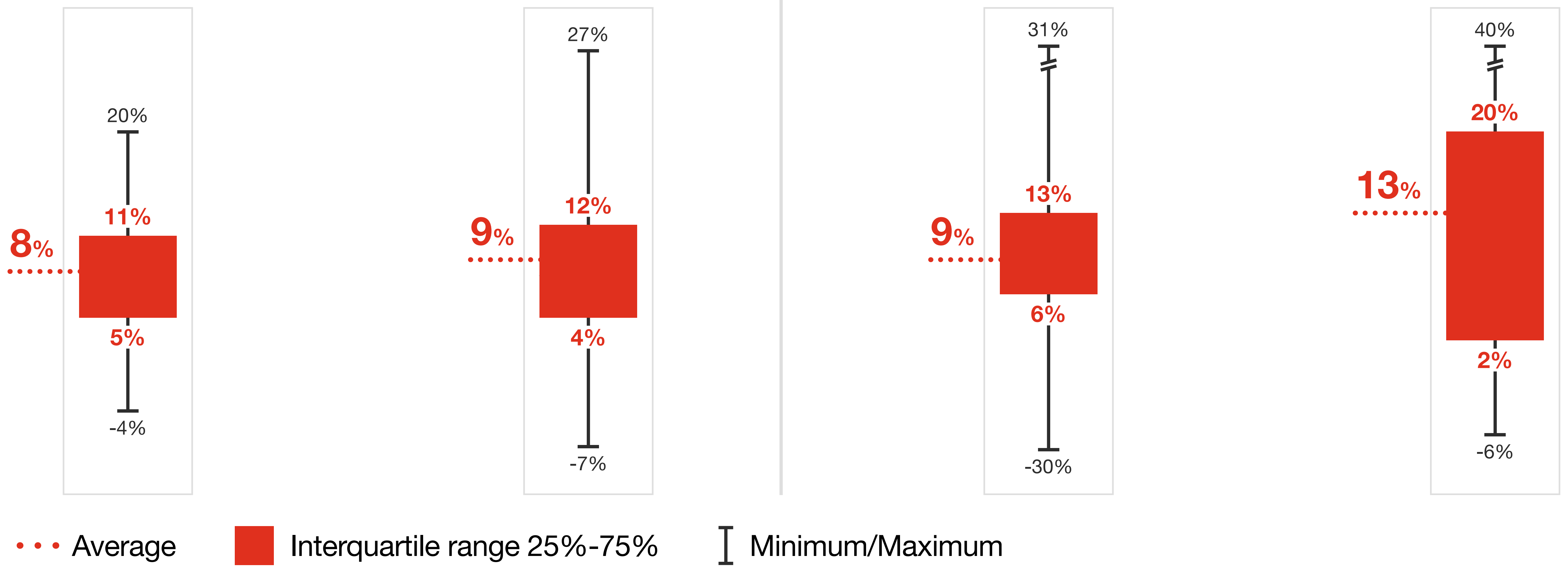
Avg. EBIT growth, %
(CAGR 2019-23)



Revenue growth, %
(CAGR 2019-23)

EBIT growth, %
(CAGR 2019-23)

Tech BPO | **Non-tech BPO** | **Tech BPO** | **Non-tech BPO**



Digitalisation is driving demand for new and niche solutions

Rapid digitalisation has propelled the demand for more sophisticated and high tech services – from cloud computing to omnichannel customer experience solutions.

Growth is fuelled by building these capabilities via acquisitions and partnerships

Some companies have developed these capabilities in-house, while others have adopted an aggressive acquisition strategy to leverage the niche focus of start-ups, or are capitalising on partnerships with hyperscalers to drive growth via differentiated service offerings.

Businesses are also expanding geographically to access new markets and clients

Several players have expanded their delivery locations to service transnational clients and complex business needs, thereby resulting in higher client revenues. Many non-tech BPOs are expanding into emerging markets in Latin America and ASEAN where opportunities and talent pools are growing and costs are relatively lower.

Tech BPOs are investing heavily in IT assets and infrastructure to support growth

Many tech BPOs have been investing capital in new-age tech infrastructure, software and IT-related assets to improve the quality and scope of their service offerings. They have seen slower growth as these investments are still in nascent stages and the impact on top-line growth is not yet distinctive.

Non-tech BPOs are already leveraging mature technologies to automate processes such as payroll or admin functions, optimising costs and improving the bottom-line, which could explain their faster EBIT growth.

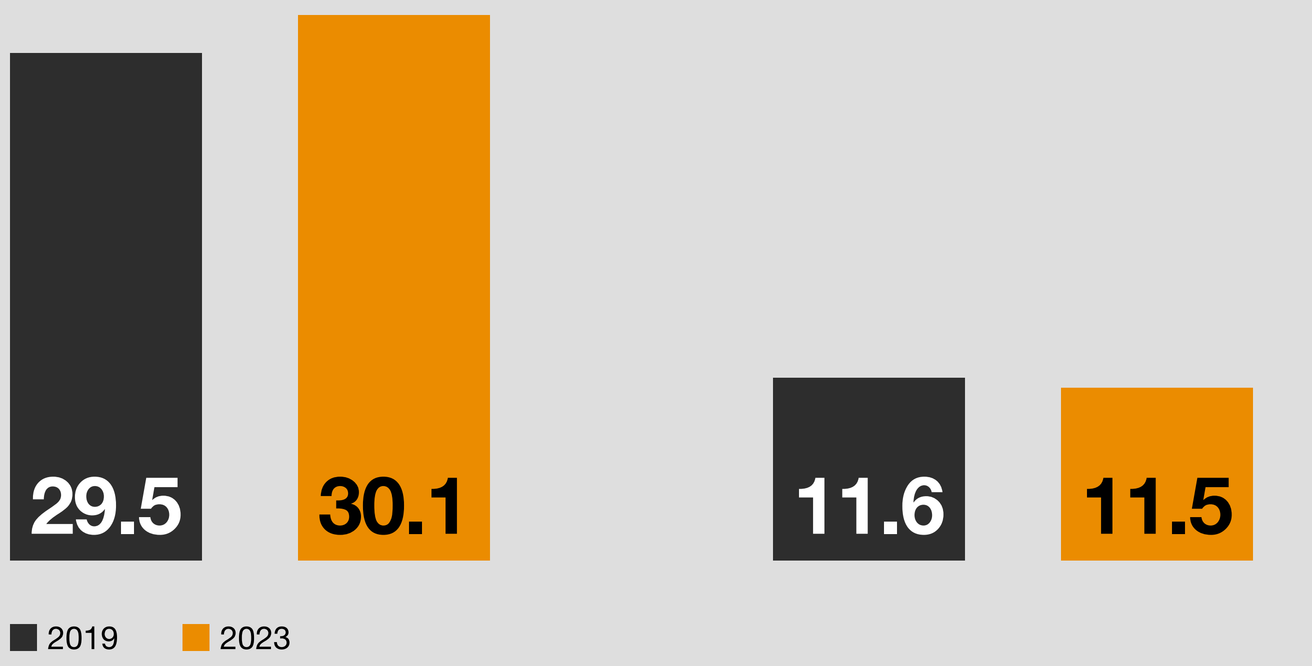
Sources: Company annual reports, PwC analysis
(for detailed methodology, refer to Appendix)

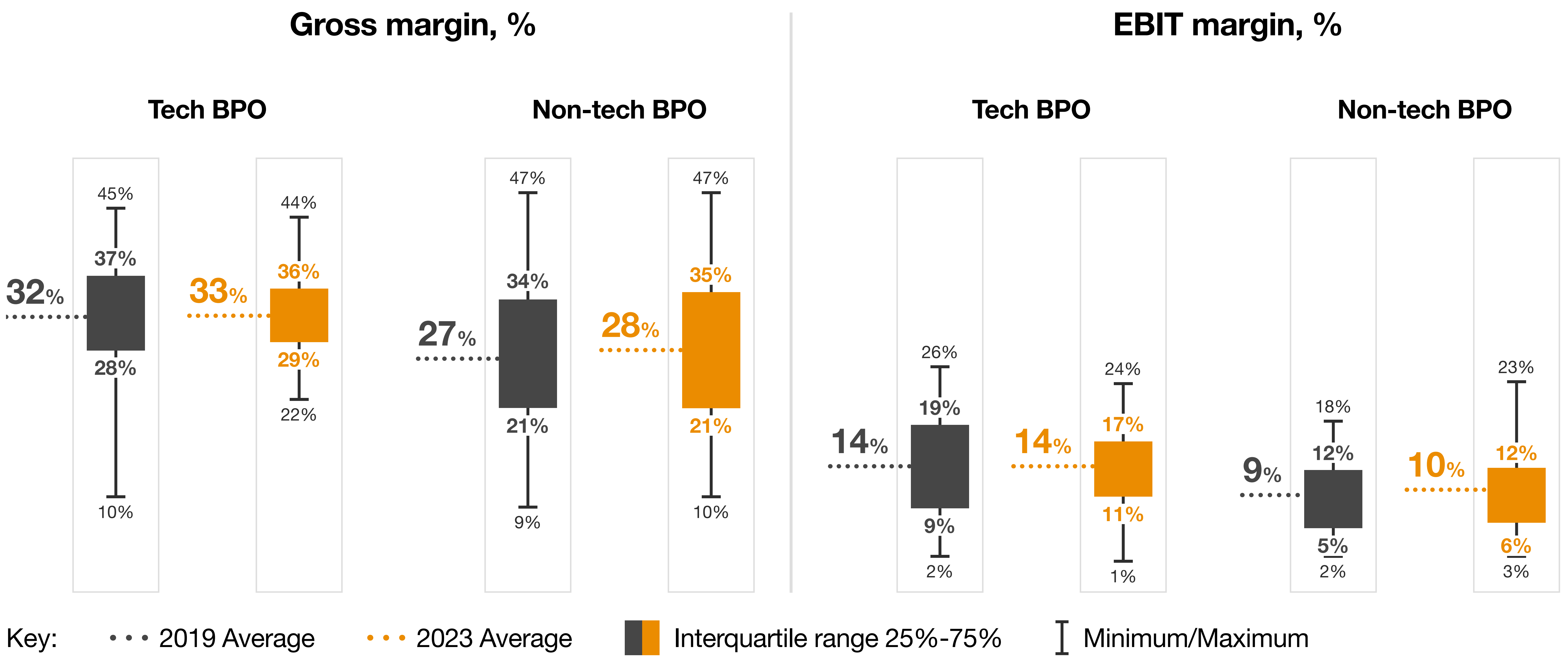
Profitability

Dimension Score: **116**

Increased cost of services allowed for price increases that improved gross margins; however, continued investments in tech, acquisitions and restructuring slowed down the increase in EBIT margins.

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





Profitability metrics improved vis-à-vis 2019 as most firms took restructuring measures, partially offset by increased costs in line with growing revenues

Most companies performed averagely when comparing profit margins to pre-pandemic levels.

Key drivers impacting gross and EBIT margins were increasing headcount, wage inflation, integration costs related to acquisitions, real-estate costs and business-related travel expenses that resumed post-pandemic.

Reduced subcontractor expenses partially offset the impact of rising costs but currency fluctuations negatively affected margins

Increased costs have been offset by developing in-house capabilities for niche solutions, reducing subcontractor expenses. In addition, tech-enabled process automation has also benefitted non-tech BPOs with optimised costs and improved EBIT margins.

However, currency fluctuations also affected the profitability for businesses operating in or hedging currencies in relatively more geopolitically volatile markets, such as the Chinese Mainland, India, the Philippines, Japan and Egypt.

On average, gross profit and EBIT margins remained stable between 2019 and 2023

A majority of players increased their operational headcount in the last four years. Coupled with wage inflation, compensation expenses have increased in tandem with revenue growth.

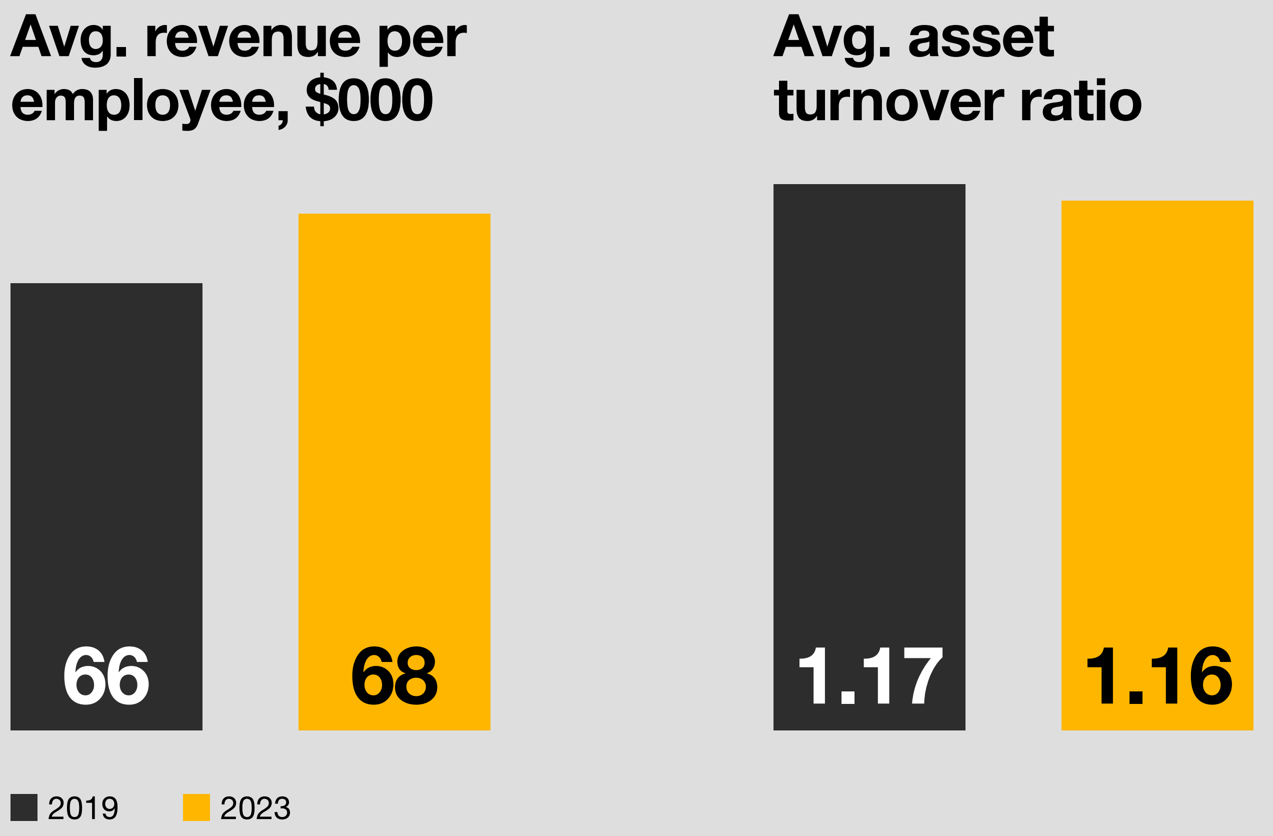
Some non-tech BPO companies in particular have recently embarked on redundancy campaigns to reduce costs associated with their operational headcount and are leveraging temporary resources where possible.

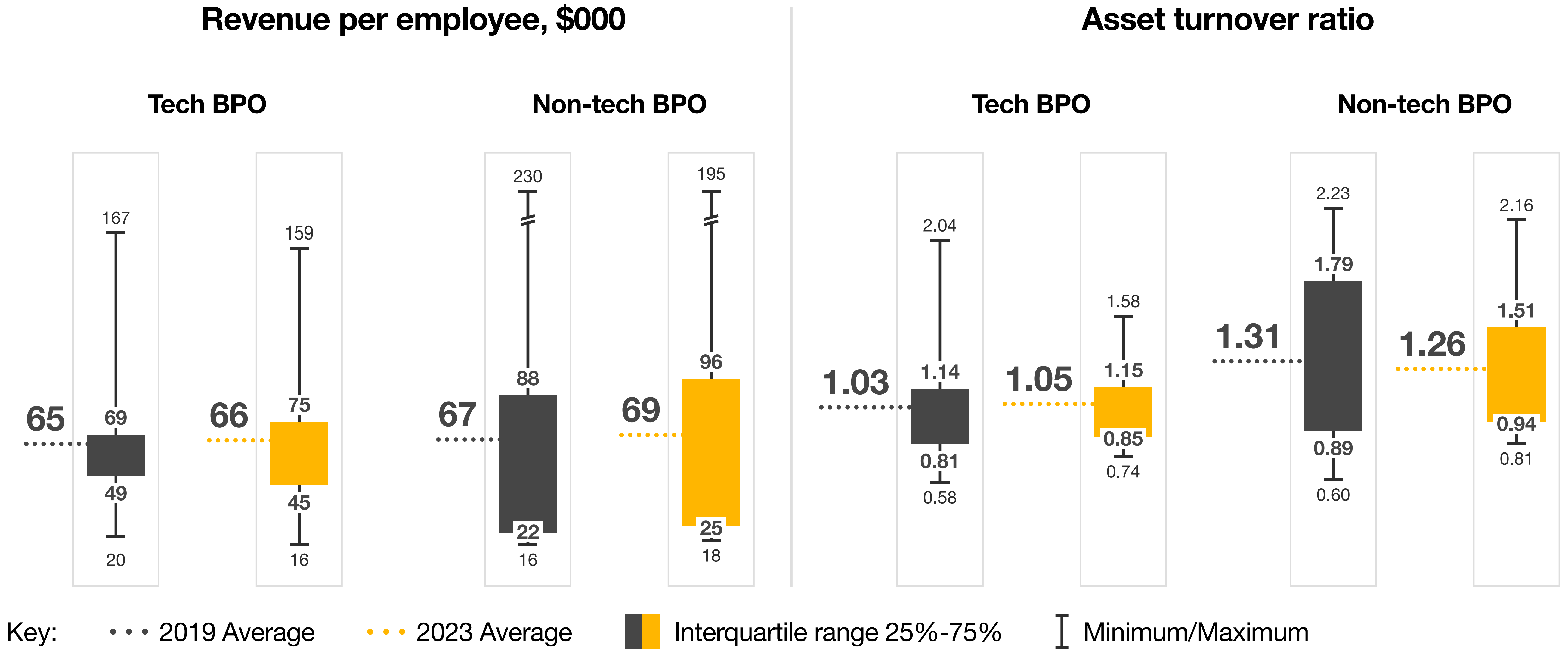
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Productivity

Dimension Score: **105**

Short-term measures help sustain near-term productivity, but trade-offs are necessary for longer-term improvements.





Organisations have explored a range of short- and long-term measures to improve productivity, which has proportionately supported the top- and bottom-line growth

The majority of non-tech BPOs prioritised downsizing their total assets to improve asset turnover; while tech BPOs have looked at increasing capital expenditure in IT software and adopting learning tools to improve productivity. Most productivity measures have focused on cost savings, especially for non-tech companies, and have not accelerated top-line growth.

Most tech BPOs have increased total assets by investing in people and new age technology

Tech BPOs are prioritising online learning and development platforms, data tools, and GenAI to improve employee productivity and asset utilisation, but this may take a while to translate into proportionately higher revenues and productivity gains.

Non-tech BPO companies are working towards improving their turnover from assets by optimising their footprint

With hybrid and remote working options becoming more normalised after the COVID-19 pandemic, several non-tech BPOs have looked to improve their balance sheet and carbon footprint by reducing fixed assets, i.e. downsizing physical footprint and consolidating operations. Productivity measures have also focused more on cost savings rather than driving top-line growth, which explains the declining asset turnover ratio.

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

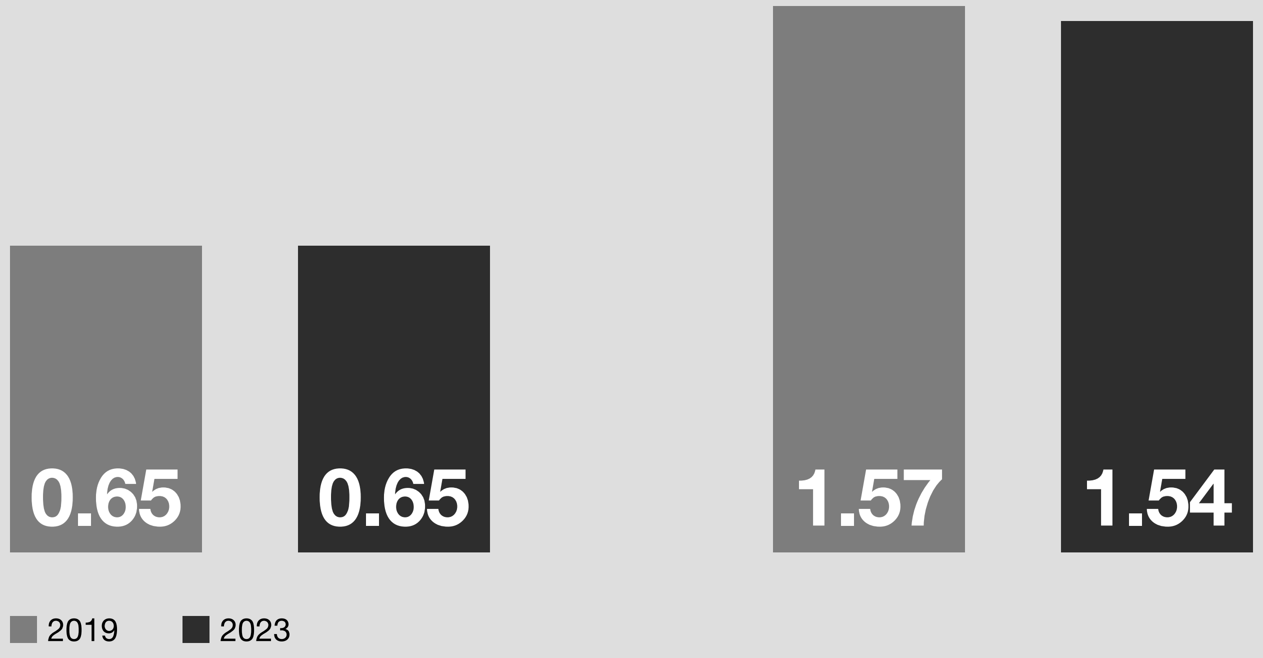
Cash Flow

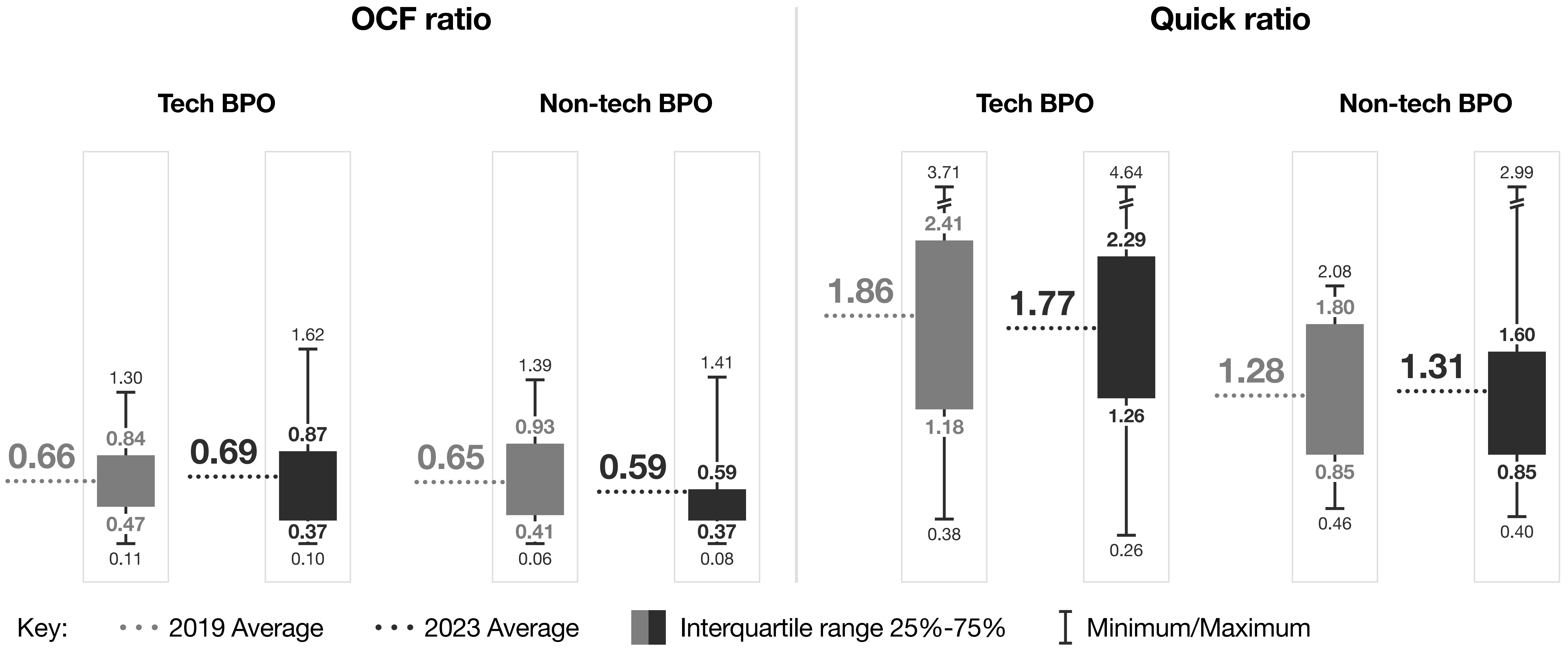
Dimension Score: **105**

Financial stability moderately improved, impacted by growth in businesses; effective management of assets and liabilities supported liquidity position.

Avg. OCF ratio

Avg. quick ratio





Overall, businesses have seen stable cash flows and favourable liquidity positions to support business growth and needs

Market expansion initiatives by firms have driven revenue growth and maintained stable financial performance. Efficient handling of assets and liabilities by most tech-BPOs has been instrumental in sustaining cash flow amid industry growth.

Scaled operations have led to higher working capital requirements, strained by delays in receiving payments

As companies scale their operations, working capital requirements and days sales outstanding (DSO) have also increased in tandem, especially given expanding client relationships, higher customer acquisition costs, and needed investments in technology and people.

As non-tech BPOs channel cash flows to finance expansion, liquidity remains impacted, yet healthy

For some non-tech BPOs, increasing liabilities and investment in assets have impacted liquidity. Players are adopting measures to reduce short-term obligations – downsizing footprint, improving DSO – to free up capital for growth, and hence add liquidity to reduce debt.

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

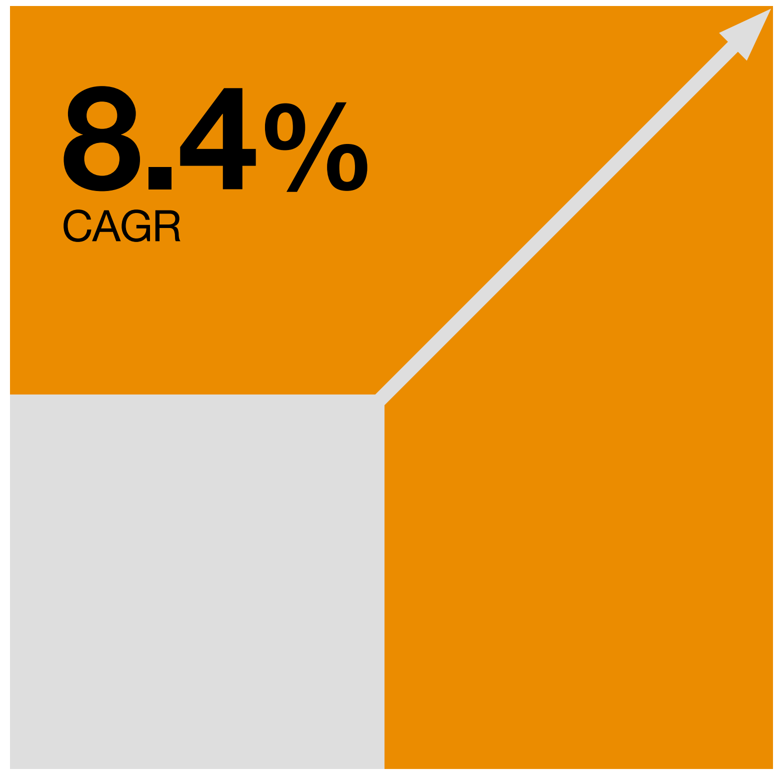
03

Priorities for success

The thriving BPO sector remains boosted by strategic investments in technology and talent

An aggressive wave of acquisitions and shift toward higher value-added, niche services has driven top-line growth for many BPOs

The majority of players have been growing at a rapid pace, leveraging **high value-add, niche services, geographic expansion and aggressive acquisitions,** to drive differentiated growth.



2019 2023

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

Most players recognise that GenAI will have a substantial impact on their top- and bottom-line performance

More than half of technology players agree that generative AI will have a net increase on revenue and profits. Companies have been investing in technology assets to improve workflows and create new avenues for growth. This has resulted in an uptick on both their top- and bottom-line numbers.

55%

of tech companies agreed that GenAI would have a net increase **on their revenues** in the next 12 months.

60%

of tech businesses agreed that GenAI would have a net increase **on their profitability** in the next 12 months.

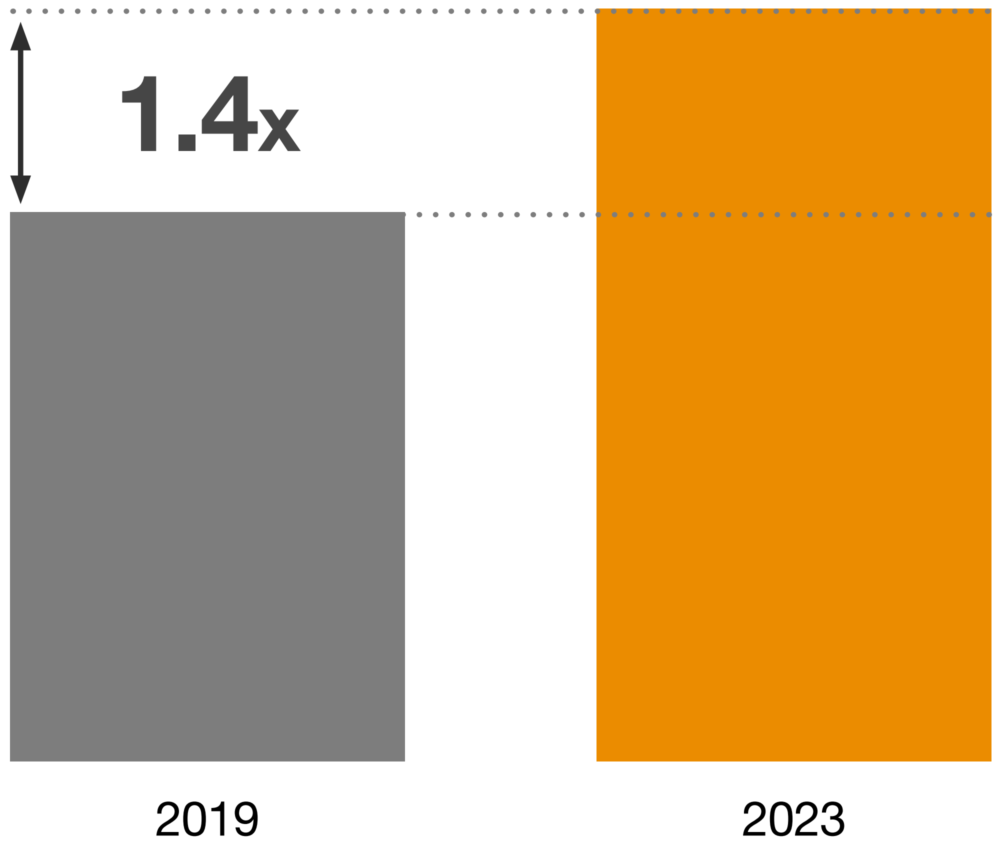
Source: PwC 27th Annual Global CEO Survey

Targeted and aggressive hiring has increased headcount significantly to support business growth

Most businesses were optimistic about recovery and **hired aggressively prior to 2023 to drive growth.**

On average, BPOs **increased headcount by more than one third** within four years since 2019.

Change in average number of employees



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

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

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

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

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

Leverage technology to create new growth avenues and enhance operational efficiency

Technological disruptions such as GenAI could change the way BPOs create, deliver and capture value

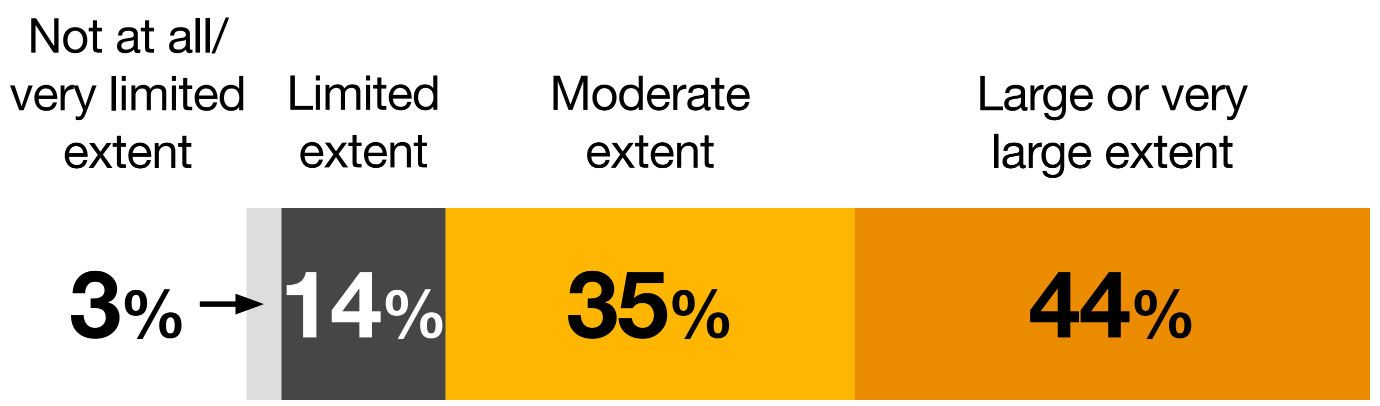
The adoption of technology has emerged as a pivotal factor for business leaders aiming to excel in today's competitive landscape. By integrating advanced tools, companies can optimise operations, leverage data-driven insights, and drive both top- and bottom-line growth. Embracing these innovations not 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:



Source: PwC 27th Annual Global CEO Survey

Most players, especially tech-BPOs, have strategically invested in technology both in-house and through acquisitions, focusing on niche applications to address specific industry needs and drive competitive differentiation. Firms have been and must continue leveraging specialised capabilities among start ups to explore more sophisticated offerings in predictive analytics, cloud computing, automation and robotics, and the like.

Non-tech BPOs have relied on in-house development or third-party vendors to integrate some of the mature tech capabilities in core processes, enabling companies to deliver innovative and efficient solutions and maintain a strategic edge.

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

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

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

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

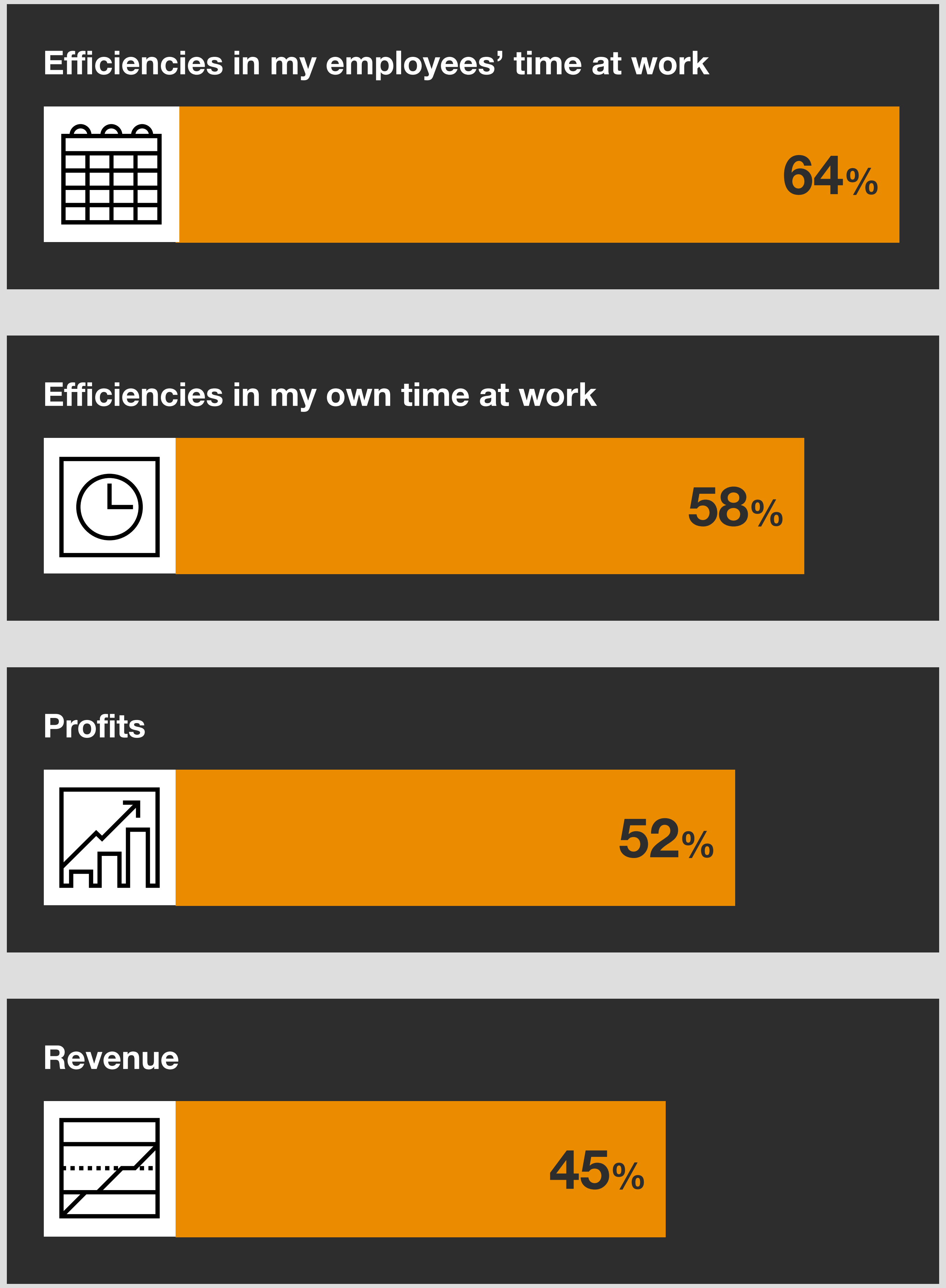
25%

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

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

Source: PwC 27th Annual Global CEO Survey

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



Recruit and cultivate talent to meet evolving organisational needs

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

23%

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

Source: PwC 27th Annual Global CEO Survey

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

Cost efficiency being a critical aspect of outsourcing, leveraging low-cost countries with a high concentration of skilled professionals helps manage expenses without compromising quality. This approach has helped businesses grow by establishing competitive pricing while accessing top-tier talent. Prioritising this strategic mix is important in enabling sustainable success and improve employee turnover as companies look to scale and drive transformation.

71%

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

Source: PwC 27th Annual Global CEO Survey

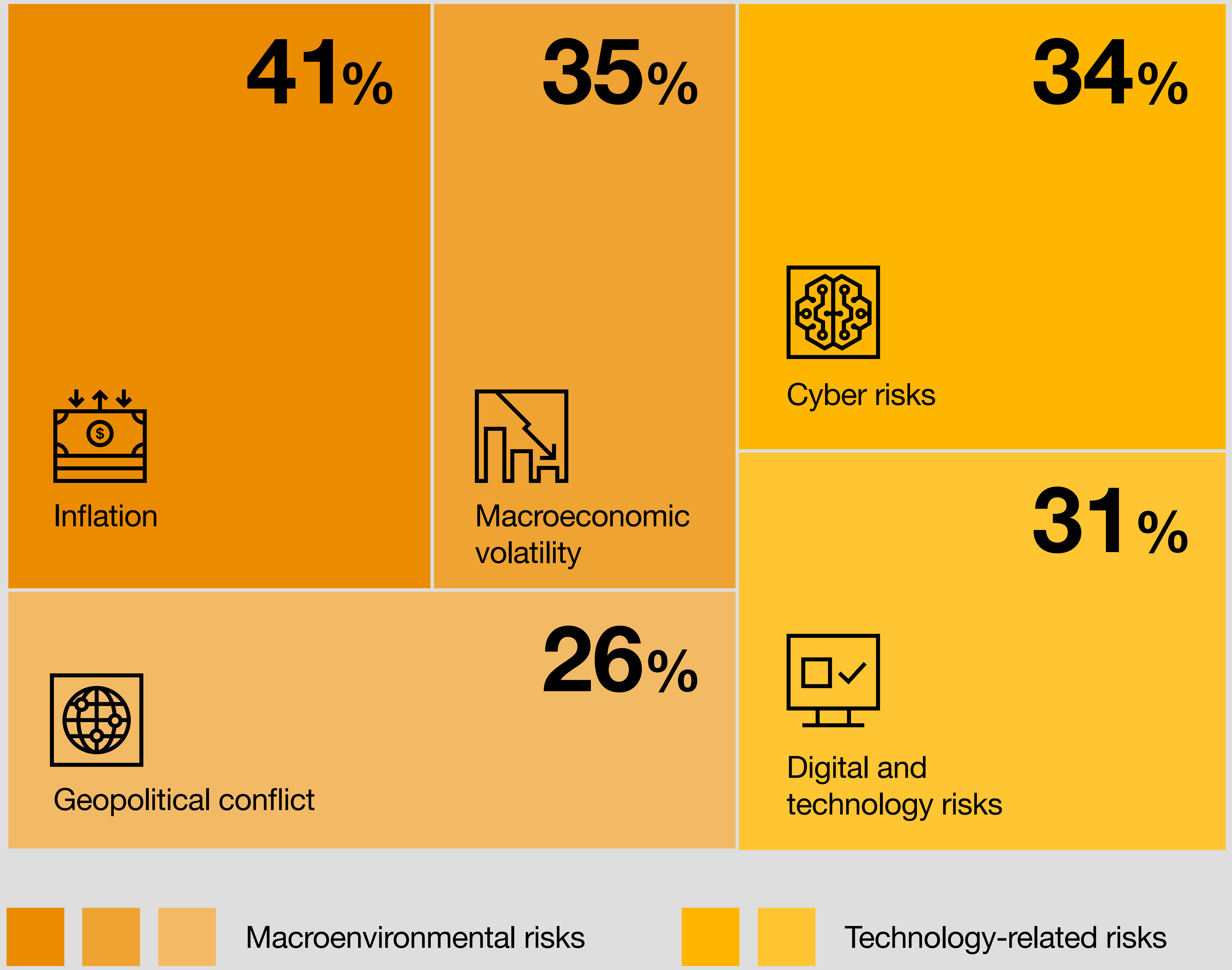
While majority of the BPOs are cognizant that GenAI will shift their talent requirements, only some have either planned or undertaken initiatives to train their workforce. Partnering with hyperscalers and solution vendors for application-specific training modules, as well as collaborating with third-party training institutes for mature or emerging technologies have proven to be successful for both, tech and non-tech players.

Build a thorough risk management practice to seize opportunities

Reinvention comes with risk, therefore, BPO 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

Macroenvironmental risks

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

BPO 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 manufacturing and supplier 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…

Rapidly increasing demand for both, tech and non-tech outsourcing has allowed the BPO sector to thrive despite the pandemic

To deliver differentiated value to their clients, tech BPOs remain at the forefront of driving digital innovation through investments in internal capabilities as well as partnerships with hyperscalers. Non-tech BPOs, on the other hand, have leveraged technology to achieve process efficiencies and boost profitability. Businesses are eyeing new customers across segments and geographies to sustain growth trajectories across sub-sectors. While aggressive acquisition strategies are continuing to fuel growth, firms are also looking inwards to future-proof their workforce by equipping them with core skills in machine learning and generative AI.

Business Services Enabling Differentiated Growth for Industrial Players

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

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

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

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Appendix

Methodology

I. Overview

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

II. Index calculations

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

III. Key sources

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

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