Global Business Services Index Annual Report 2024

Human Capital Management

November 2024

pwc

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		

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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 human capital management sector has struggled to recover from the COVID-19 pandemic and challenging economic conditions

The sector's index score is 101 (normalised to the base year of 2019 = 100), with only growth and productivity seeing slight improvements. The sector saw hiring freezes during the pandemic, a post-pandemic peak, followed by sluggish economic conditions in 2023. Profitability has seen the biggest decrease due to inflated headcount and operational expenses. After being unable to fund post-pandemic recoveries from operations alone, most sector participants are in a less favourable cash position.

Diversification, restructuring and technology have been factors affecting sector performance, driving innovation, and broader tech-enabled service offerings as the business landscape evolves.

Index Score

101

Base year (2019) = 100

Human capital management sector performance, by dimension:

Growth	118
Business services industry average	142

Firms have focused on diversifying their market footprint and service offerings, such as interim hiring and advisory, to support continued growth and reduce risk amidst global macro disruptions and inflation.

Profitability	91
Business services industry average	109

Profits have suffered due to operational and restructuring costs in response to financial and inflationary pressures and more challenging market conditions.

Productivity	102
Business services industry average	102

Businesses have been restructuring headcount and investing in technology to improve operational efficiency, which has limited impact on driving further top-line growth.

Cash Flow	93
Business services industry average	105

Cash flow and liquidity positions took a hit as firms invested in new assets and restructured towards leaner operating models.

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, and 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 operational efficiency

Automation, AI and machine learning can support resource-intensive recruitment activities such as automated CV screening. HCM players can leverage partnerships with technology companies or start ups to integrate digital solutions that will enhance their operational efficiency and productivity. Furthermore, a responsible GenAI strategy is important to balance growth and risk.

Talent

Recruit and cultivate talent to meet evolving organisational needs

As businesses support clients' talent needs, hiring and training their own workforce is critical. As companies explore new segments of growth in niche areas, such as sustainability, AI-tech, healthcare and defence, employees also need to adapt their skills. Firms can also leverage outsourcing options in lower-cost countries to help manage cost efficiencies and access top-tier talent in global markets.

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 lead to increased cost and inflationary pressures.

Inflationary pressures are expected to continue impacting businesses

1 in 4

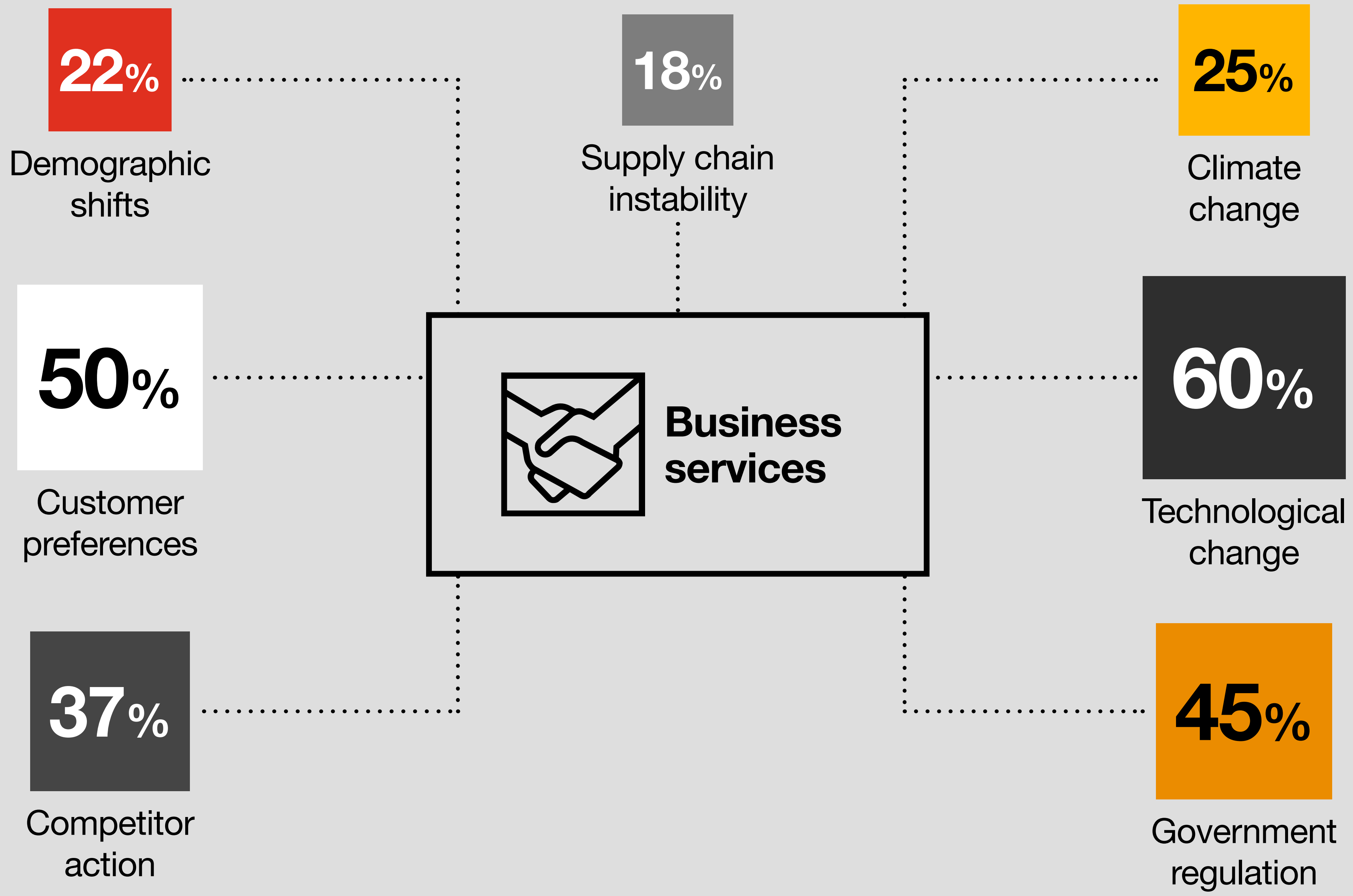
global business services CEOs believe their company will be highly or extremely exposed to inflation in the next 12 months.

Source: PwC 27th Annual Global CEO Survey

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

By offering differentiated services, 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 change in 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, human capital management services play a crucial role in helping companies respond to Megatrends and foster growth...

Human capital management (HCM) companies cater to specific staffing and recruitment solutions that form the backbone of any organisation's workforce.

Comprehensive services such as recruitment process outsourcing and permanent or temporary hiring solutions help companies meet their specific talent requirements in terms of skills, flexibility and cost.

Beyond recruitment and staffing, HCM companies also provide digital and advisory services that support organisations in developing future proof workforce strategies to recruit and retain skilled talent, and improving operational efficiency.

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

With the emergence of disruptive technologies impacting the business environment, client demand for specialised functions in technology and data drives HCM providers to diversify their talent solutions.

Most recently, the sector has seen an increasing number of firms investing into platform solutions that are connecting businesses with prospective talents.

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

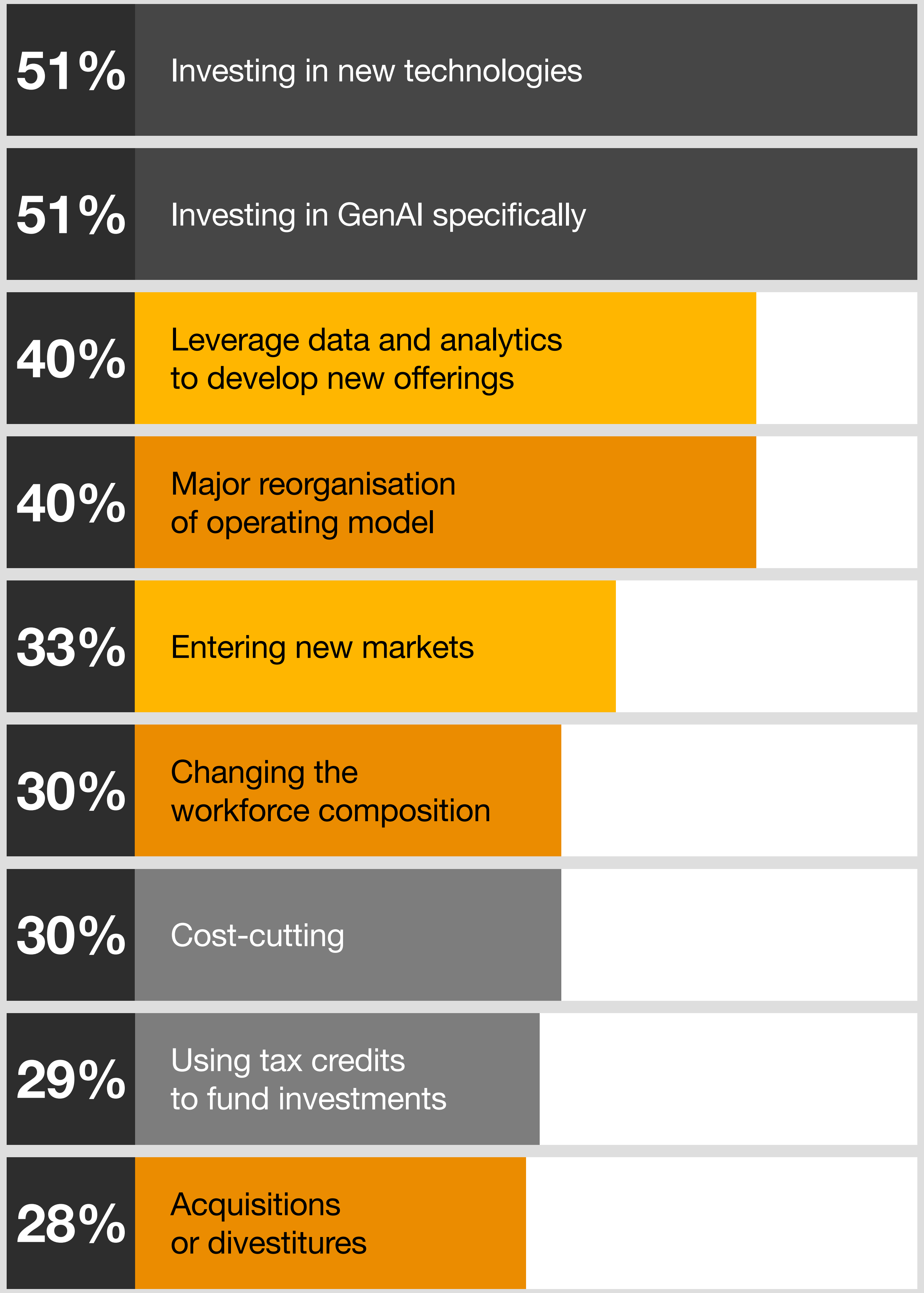
Companies should explore new customer segments and markets to drive transformative growth.

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.

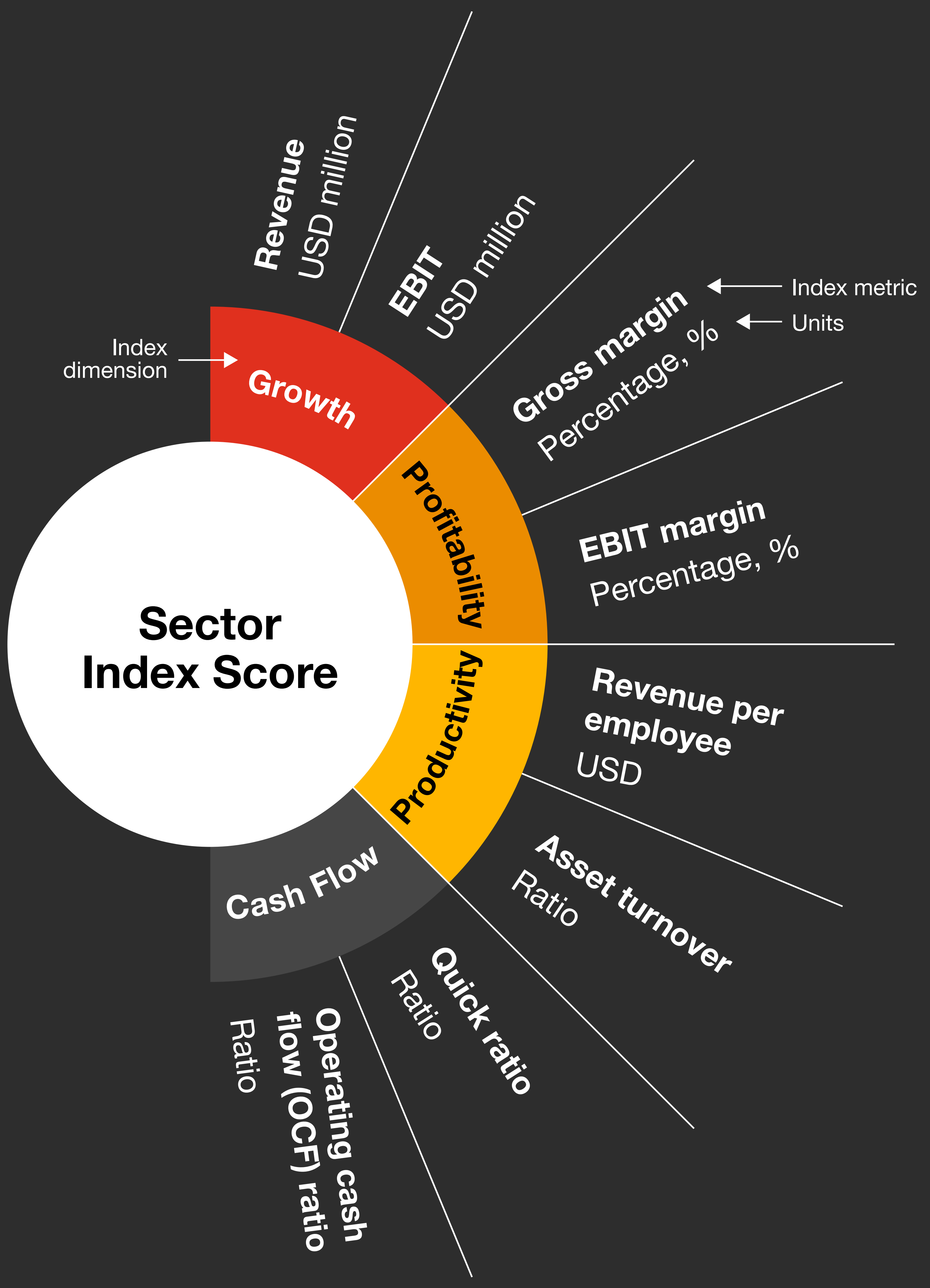
An index for business services can serve as a strategic tool for benchmarking, allowing business leaders to compare their own performance against industry peers and identify areas for improvement

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

HCM sector at a glance

Recruitment solutions

Third-party service providers specialising in permanent recruitment services.

Staffing solutions

Providers of temporary or contract staff as needed.

Overall, the HCM sector showed a relatively flat performance with improvement primarily in revenue growth

The sector's index score is 101 (normalised to the base year of 2019 = 100), with growth impacted by hiring freezes during the COVID-19 pandemic, followed by a post-pandemic peak, and the recent demand slowdown due to sluggish economic conditions in 2023.

With profitability taking a hit due to increased headcount and operational expenses, and pressures to fund expansion from operations alone, most players are in a less favourable cash position.

HCM firms are focusing on diversification and restructuring to address slower growth

Diversification

Firms are diversifying their portfolios to offer interim hiring solutions, targeting new geographies such as LATAM, new sectors such as healthcare and defence, and niche services such as recruitment for sustainability and AI.

Restructuring

Some companies have been restructuring their organisation to address concerns about slower growth in recent years. This has inevitably led to restructuring costs, affecting cash flow and profitability.

Technology

Several recruitment businesses have also been investing in technology and system upgrades to improve their service and delivery quality to clients, as well as adding digital services to their portfolios.

Score for base year 2019 = 100

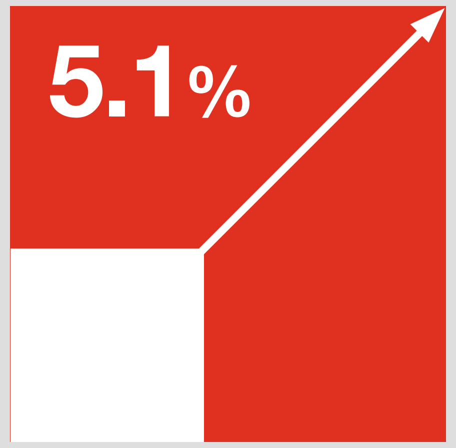
.... = 100 (base score for each dimension with 2019 as reference year)

Growth

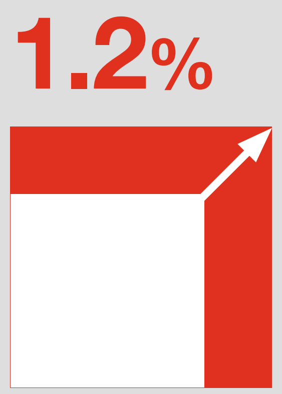
Dimension Score: **118**

Companies have been undergoing both diversification and restructuring to address the uncertain conditions during and after the COVID-19 pandemic.

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



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



2019 | 2023

The sector was severely impacted by the COVID-19 pandemic due to a hiring freeze globally resulting in reduced demand from clients

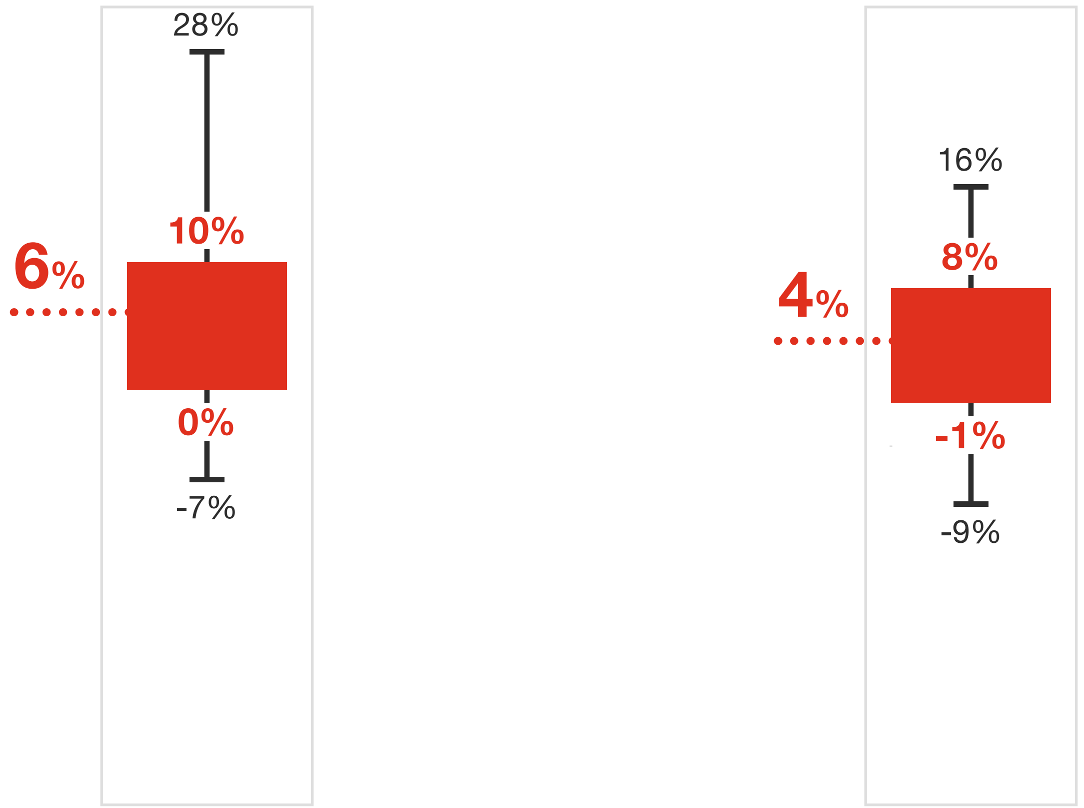
Global disruptions and inflationary pressures have led to a slower demand from clients for recruitment and staffing solutions. This has inevitably affected revenues across HCM businesses.

Following a strong recovery H2'21 onwards, demand for recruitment slowed down again in 2023, given the turbulent economic conditions

The 'Great Resignation' phase following the pandemic supported strong demand for hiring in 2021-22. However, this demand saw a substantial decline in 2023 as the trend normalised and companies slowed down hiring, given the tough market conditions.

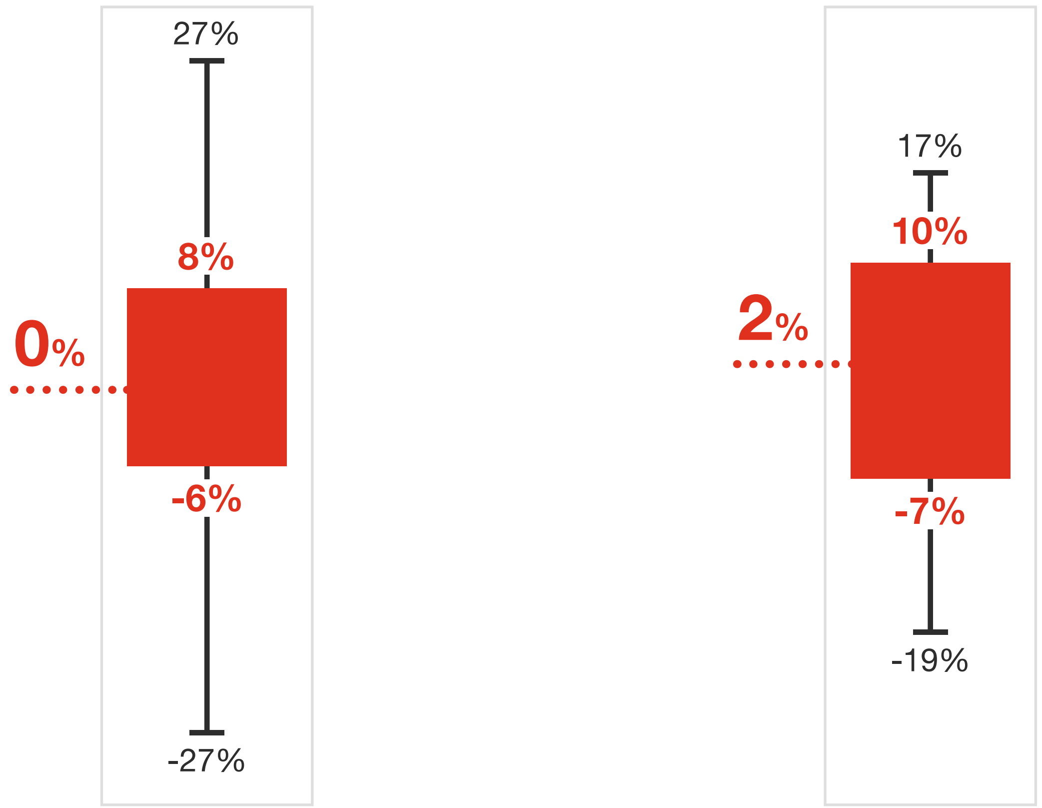
Revenue growth, %
(CAGR 2019-23)

Recruitment solutions | Staffing solutions



EBIT growth, %
(CAGR 2019-23)

Recruitment solutions | Staffing solutions



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

Diversifying clients and service offerings remains a top priority, to drive growth

Firms are focused on diversifying their service offerings to increase average spend per client, such as offering digital or consulting services, in addition to recruitment services.

Global players are seeing a stronger response from Europe, given the resilient and continued demand for regional talent in science, technology, engineering and mathematics. Regional businesses look to diversify risks by expanding in emerging markets such as LATAM, and pockets of Asia.

Recent restructuring and investments in technology have had an impact on EBIT growth

Recruitment solution providers, in particular, have been restructuring to sustain growth and are investing in technology to improve efficiency and client engagement.

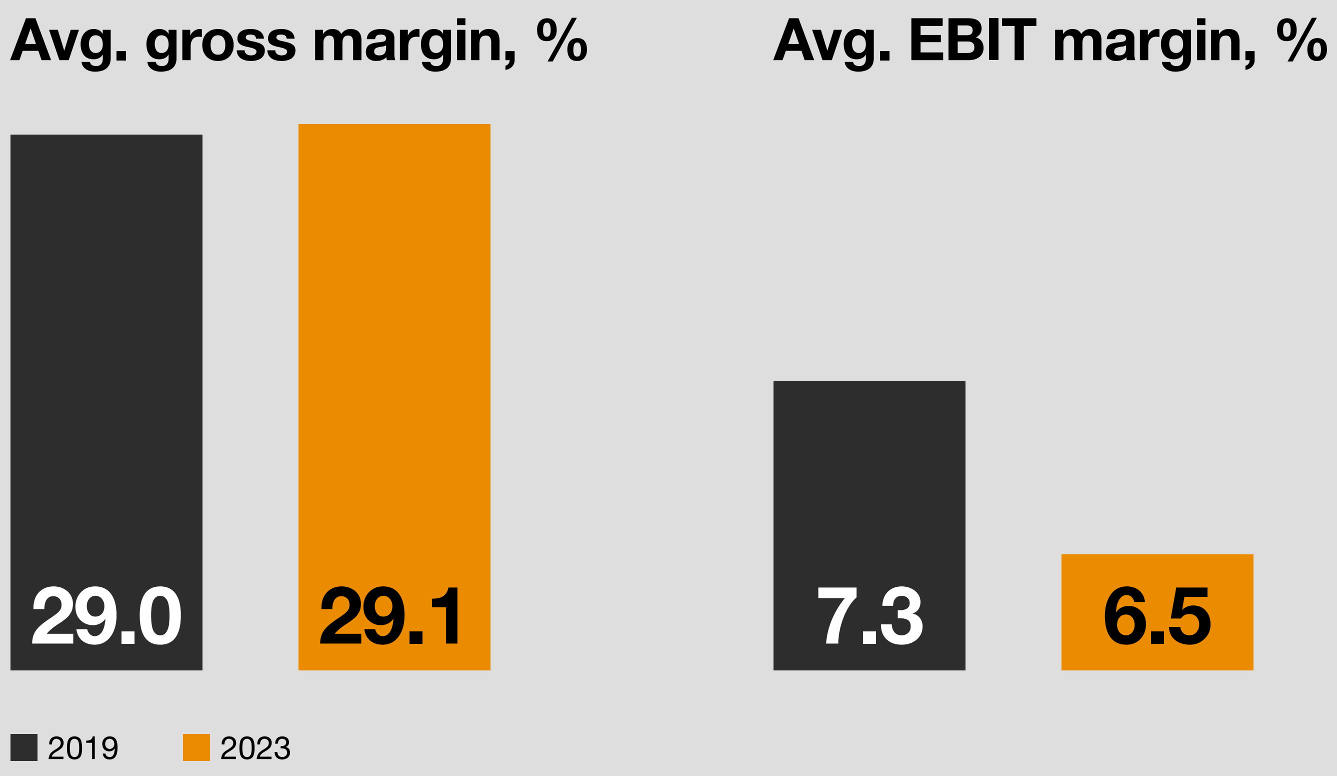
Companies are also pivoting towards niche and high-growth recruitment opportunities, such as employment in sustainability, AI-tech, healthcare or defence sectors.

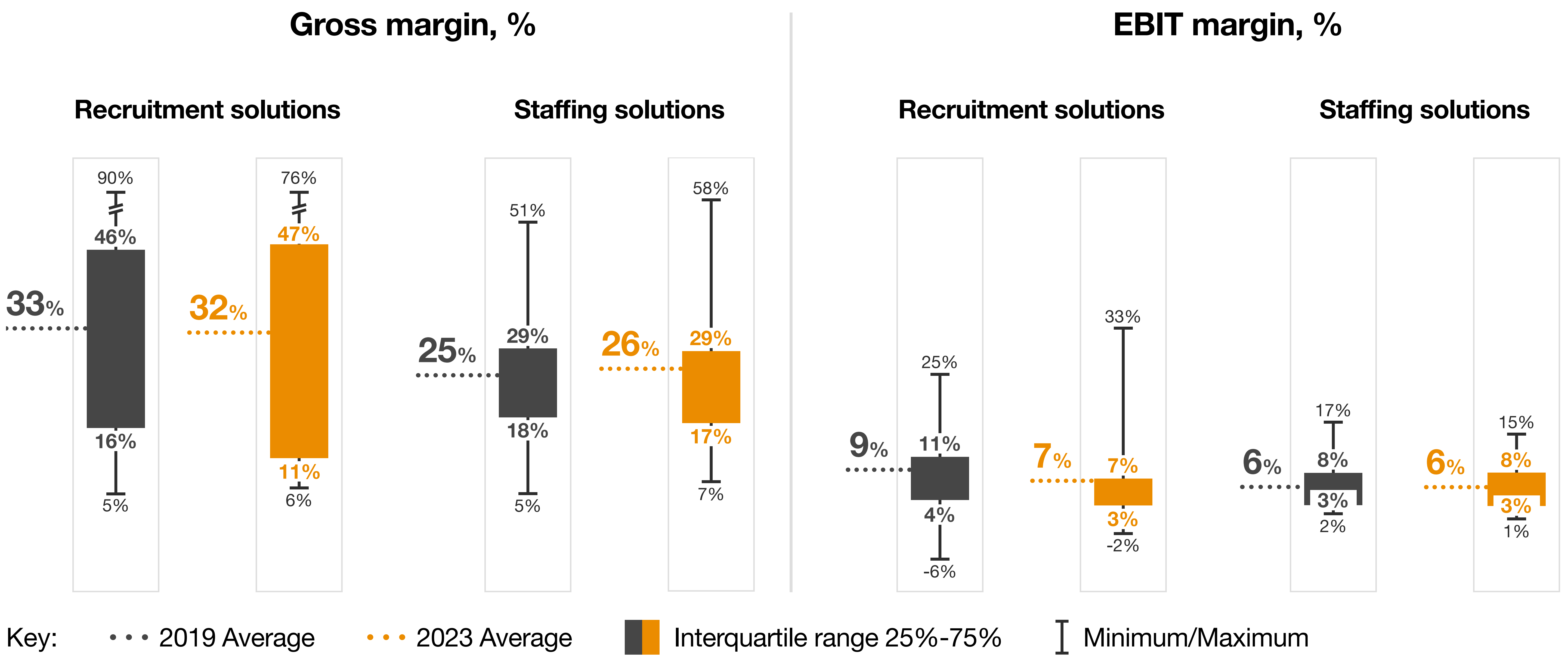
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Profitability

Dimension Score: **91**

Most firms have witnessed increased operational and restructuring costs in response to financial pressures and difficult market conditions.





Restructuring costs and increased personnel costs have resulted in lower margins

As companies explore diversification and cost-cutting initiatives to sustain growth, there has been a spike in selling, general, and administrative expenses associated with restructuring, severance payments, integration of acquisitions and others.

While wage inflation has supported higher incomes from commissions, it has also led to increased personnel costs internally.

Investments in AI and technology paired with weak currencies have impacted EBIT margins

HCM companies have been investing in AI and technology to recover from and accelerate growth post the COVID-19 pandemic. The recruitment solutions segment has seen margins take a bigger hit owing to higher spending in technology and acquisitions to support growth.

Profits have also been declining due to currency depreciation for operations in certain markets such as Japan.

Profitability took a hit as many organisations grappled with increased headcount costs

Being optimistic about recovery and growth, most HCM businesses increased headcount significantly from 2021 onwards.

However, due to slower than expected market conditions, increased compensation and overhead costs, along with wage inflation and salary augmentation, impacted overall profitability.

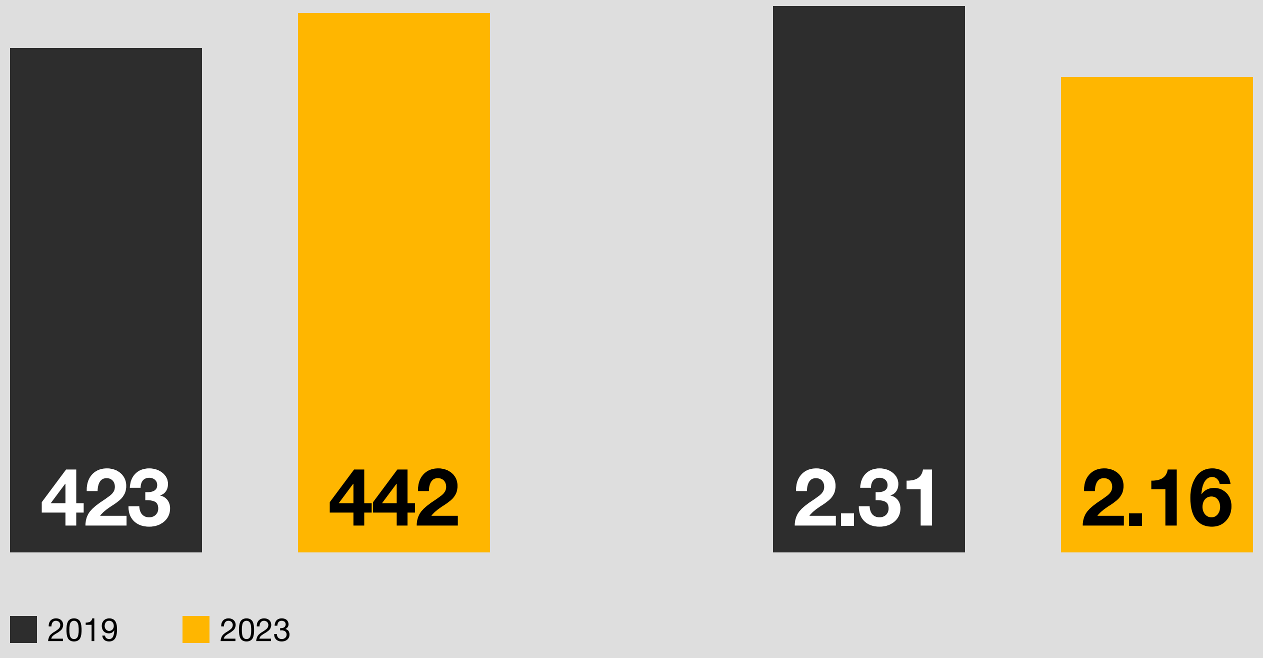
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Productivity

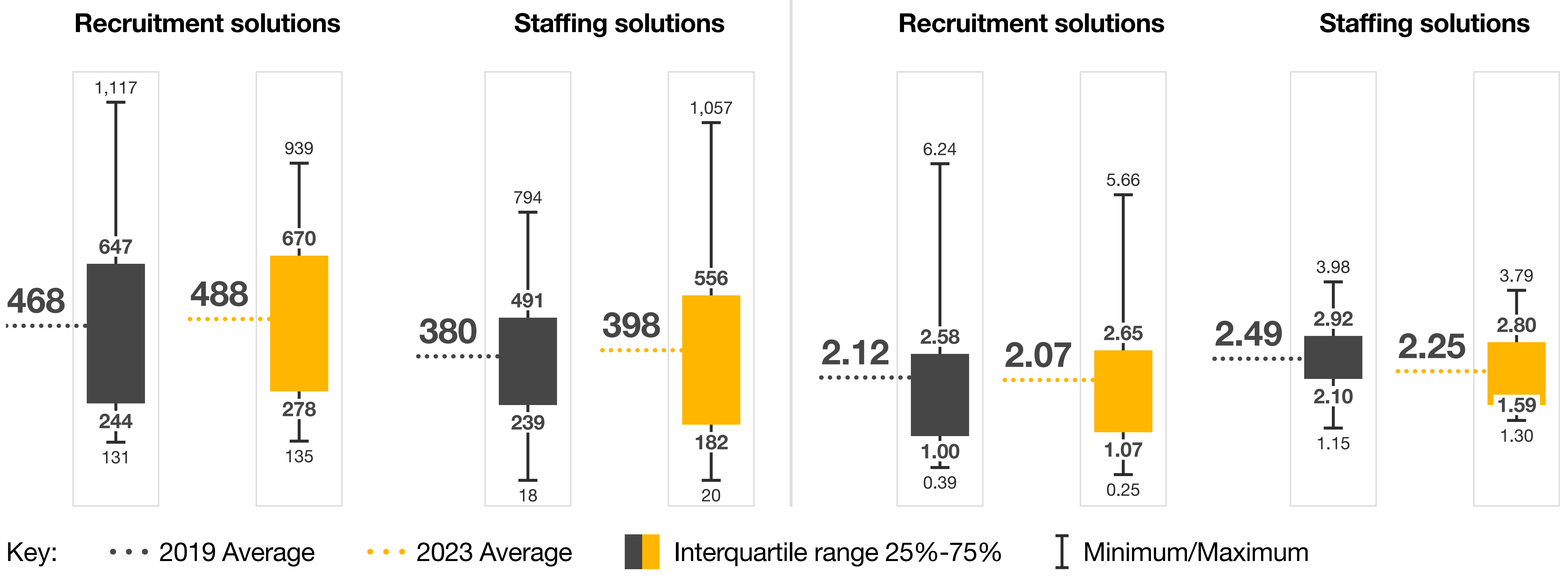
Dimension Score: **102**

Productivity saw a slight improvement, but recent investments and acquisitions in AI and technology have yet to translate proportionately.

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



Revenue per employee, $000 | Asset turnover ratio



Restructuring and centralisation of resources a top priority

Centralising resources and reassessing delivery models remain popular to automate workflows, improve processes and utilisation, and maximise staff time on high-value activities.

Overall, productivity has only improved marginally and not yet contributed significantly to growth

Revenue growth has been supported by aggressive hiring during 2021-22 in order to recover from the COVID-19 pandemic. Further, continued investments in technology and restructuring supported process optimisation and productivity.

As compared to project-driven segments such as recruitment process outsourcing (RPO), advisory, and digital solutions, permanent and contract hiring segments have witnessed higher revenue per employee owing to large commissions and recurring revenues, respectively.

Investments in assets have not yet translated into higher revenues or better turnover

Asset turnovers have generally been healthy for firms in the sector owing to their asset-light business models.

HCM firms have been investing in AI and tech-enabled solutions to improve turnover, but the results of these efforts have yet to fully translate into higher revenue or efficiency gains.

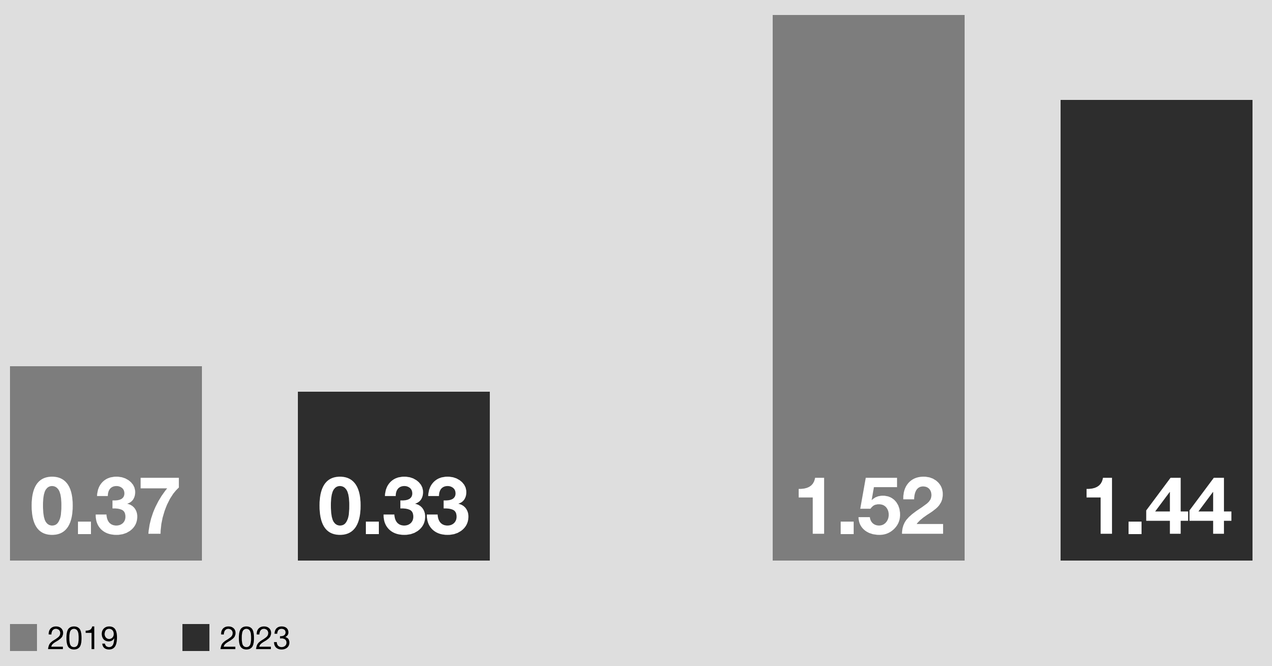
Sources: Company annual reports, PwC analysis
(for detailed methodology, refer to Appendix)

Cash Flow

Dimension Score: **93**

Cash generation has typically been low due to pressures on net income and higher operating costs, but liquidity remains favourable for the sector.

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

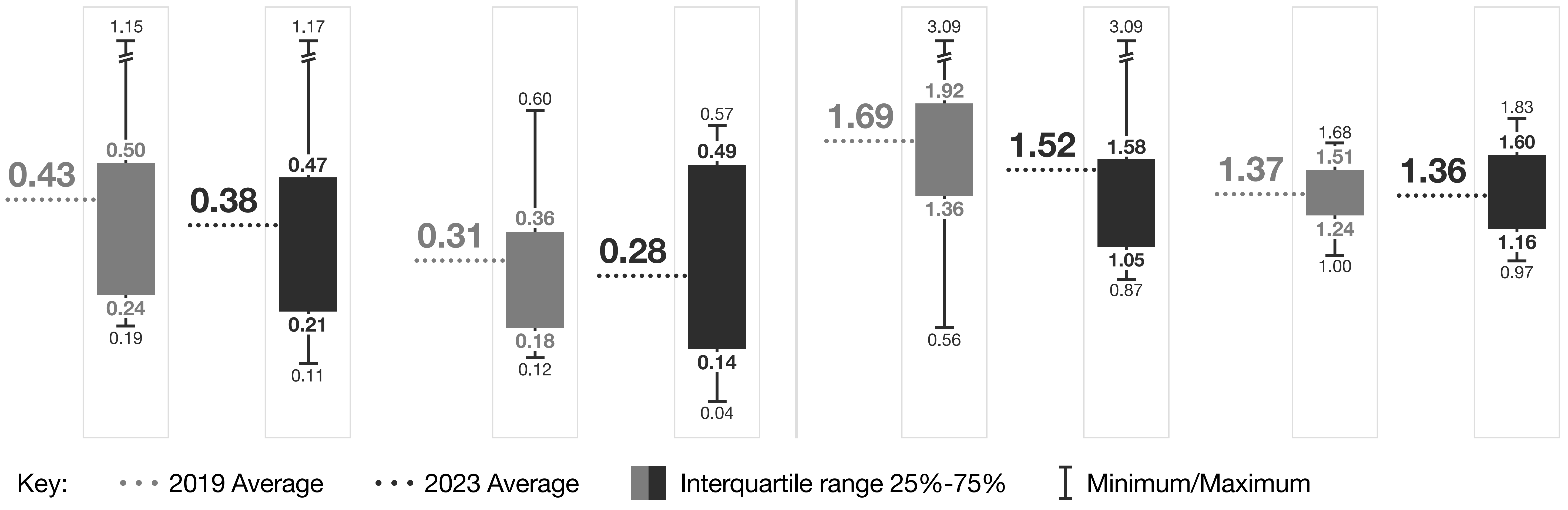


On average, OCF has been low for the industry, although a healthy quick ratio disposition is witnessed

In general, businesses have been focusing on more effective cash collection to generate better cash flow. However, cash flow has been limited due to increased use of working capital and a rise in short-term debts to sustain operations, resulting in higher costs, lower net incomes and increased current liabilities.

OCF ratio **Quick ratio**

Recruitment solutions | Staffing solutions | Recruitment solutions | Staffing solutions



Consistently low OCF ratios indicate that there has been constant pressure on working capital and net profits

Over the past few years, slower revenue growth and increased headcounts have caused a rise in working capital requirements.

Owing to downsizing measures to match market fluctuations, restructuring expenses have further put pressure on cash generated from operations.

Recruitment firms are reliant on external funding to support continued operations and growth

Many companies have tapped into short-term credit channels to fund investments in IT and technology infrastructure.

Hence, quick ratios have remained relatively stable, as spending on assets are primarily offset by an increase in short-term borrowings.

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

To combat the slowing demand for permanent hiring, businesses are diversifying into fast-growing and profitable segments...

Customers' inclination towards flexible hiring is demanding a re-evaluation of core competencies

- Recent economic shifts have compelled the exploration of flexible talent strategies until markets stabilise
- Recruitment firms are increasingly offering interim/temporary solutions, addressing their customers' short-term requirements
- Supporting digital services are also gaining popularity, for example, AI-enabled performance management tools, cloud services and software solutions, to increase sales and profitability

Success story

A leading Recruitment Process Outsourcing ("RPO") provider has adapted its operations to generate higher fees from interim hiring services while expanding its digital offerings to increase profitability and drive client engagement

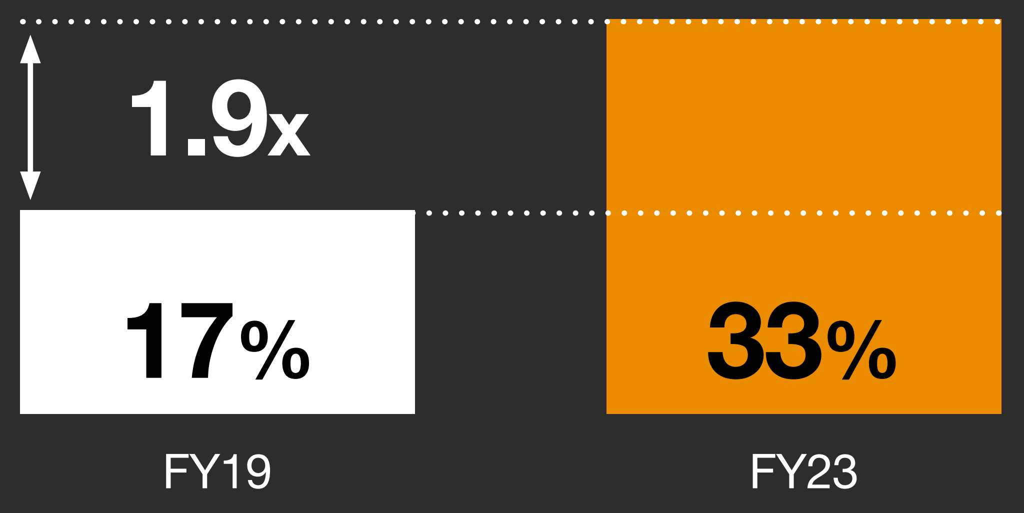
In order to support its clients' contractual needs, the company **added interim professional search services** to its portfolio to generate an increase of ~2X in segment revenue since 2019.

Also, **bundling over a third of its digital services with its core RPO offerings**, the firm saw a rise in profitability through savings in client acquisition costs and increased revenue per client.

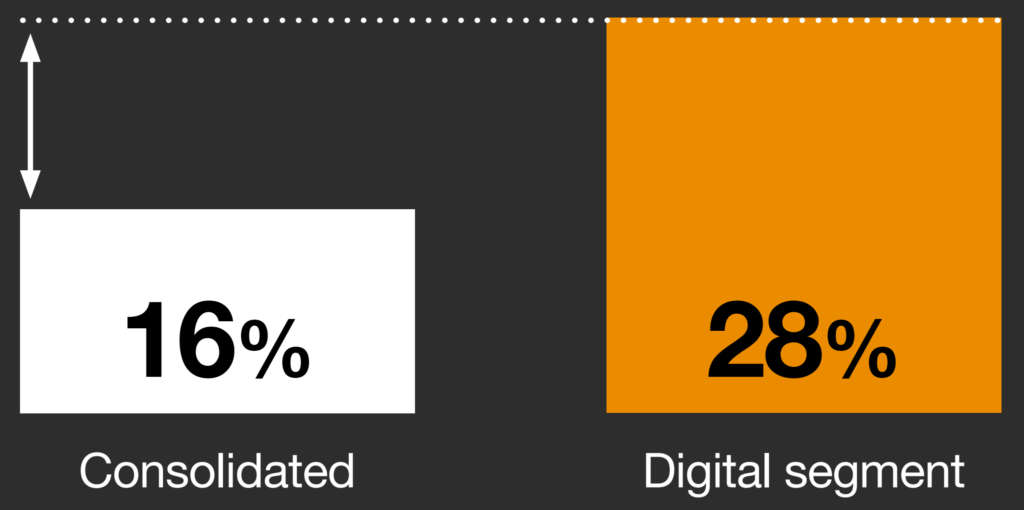
Digital services such as AI-enabled tools, cloud services, software solutions allowed for higher margins in the segment, as compared to the consolidated margins.

Source: Company annual reports, PwC analysis

Revenue share of RPO and interim search
Percent, 2019-23



Adjusted EBITDA margins
Percent, 2023



...and rethinking their workforce strategies

Organisations are reassessing their aggressive post-pandemic hiring strategies to improve productivity and returns for future growth

- In pursuit of accelerating revenue growth further, various companies have made major headcount expansions between FY21 and FY22
- Market conditions and demand for hiring, however, impeded proportionate revenue growth in 2023, reducing employee utilisation and profitability
- Over the latest financial year, most businesses have readjusted their headcount to elevate productivity levels, along with measures to invest in technologies such as GenAI

Success story

A multinational recruitment service provider downsized headcount in FY23 to improve productivity levels after over-hiring in previous years

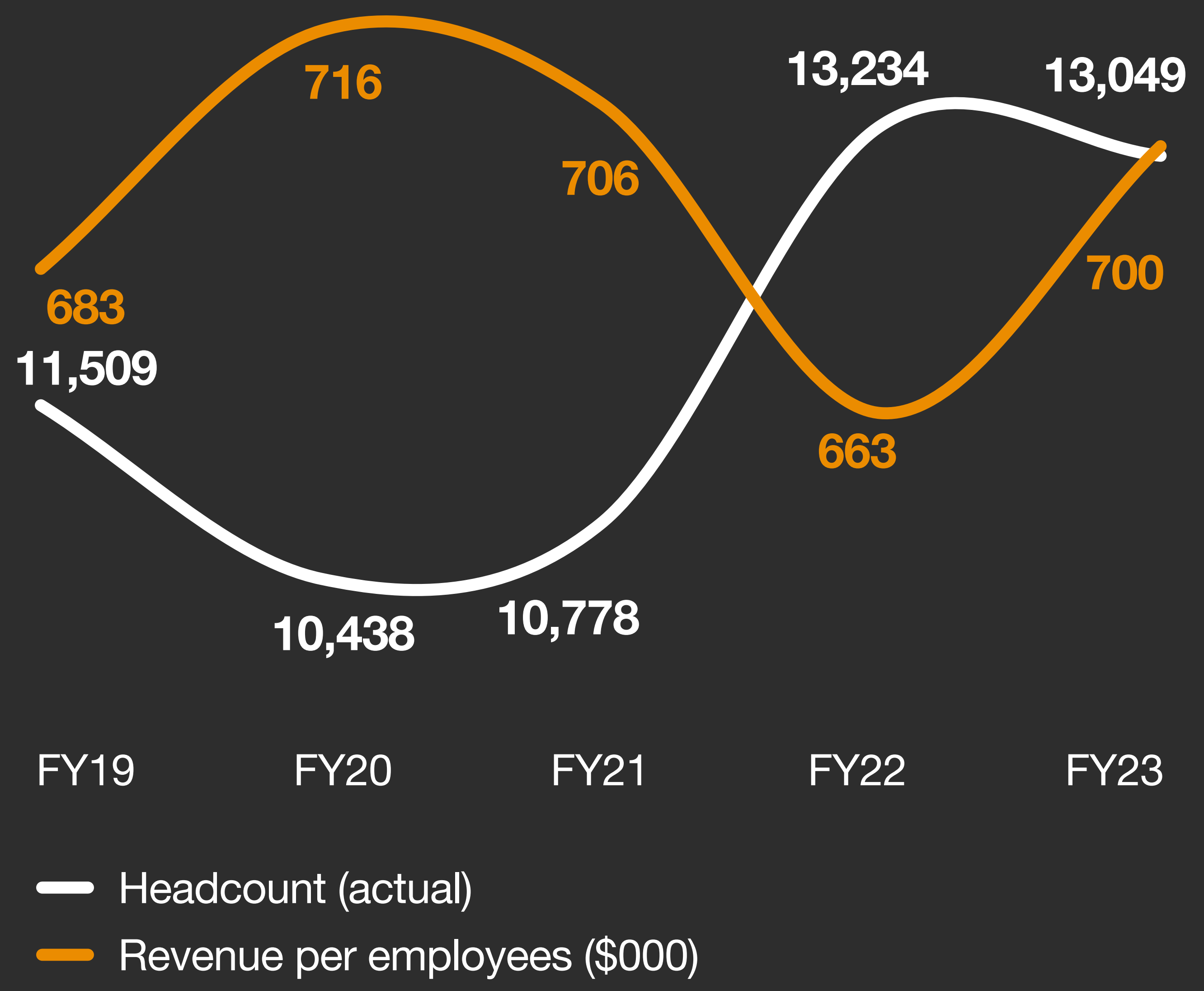
After entering FY23 with an inflated headcount of 26% over FY22, the **firm reduced its headcount by 5% over the course of FY23** to address reduced demand and productivity.

The impact of these aggressive cost containment measures was immediate, despite being hindered by severance pay provisions and legal requirements for terminated staff.

With margins and revenue growth remaining stable, the company managed to **rebalance productivity levels** per employee and continues to build on internal record levels for revenues.

Source: Company annual reports, PwC analysis

Headcount and revenue per employee
2019-23



03

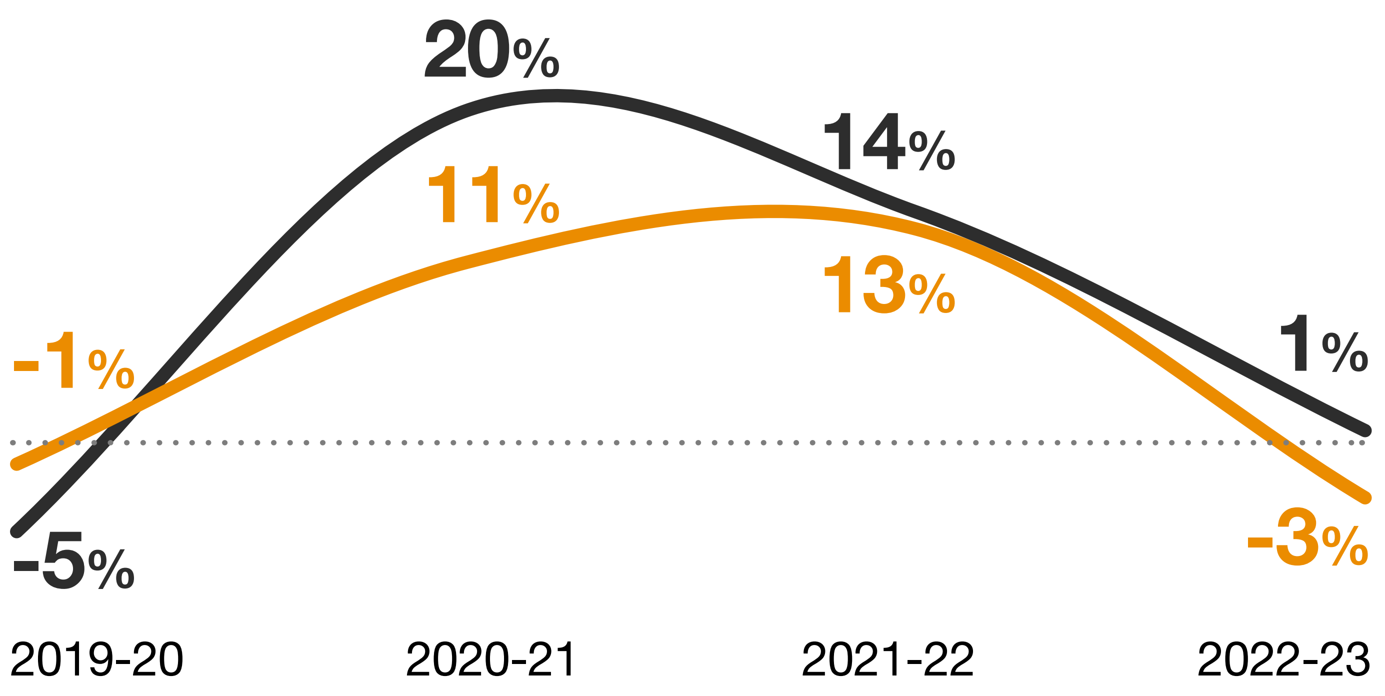
Priorities for success

Recruitment firms face pressures after peak demand; focus shifts to technology and strategic hiring amidst market adjustments

HCM businesses have witnessed a peak in hiring after the pandemic, but recent macroeconomic downturns put pressures on revenues, flattening the growth curve

The COVID-19 pandemic caused a temporary dip in hiring activity, which was followed by a short-term peak during the 'Great Resignation', but the **sector is now seeing the hiring demand normalise as customers adjust their recruitment needs to the global macroeconomic downturn**.

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



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

Headcount is playing "catch-up" to the revenue trend as businesses hired aggressively to meet increased demand during the 2021 peak, but are now restructuring in response to the slower than expected recovery

As the demand normalised in 2023, many players are downsizing headcount and investing in AI and tech-enabled solutions to raise employee productivity and shift towards leaner operations.

Recruitment and staffing organisations recognise the importance of having skilled talent, and are invested in helping employees adapt to new market demands

36%

of employees think that the skills their job requires will change significantly in the next 5 years.

Companies are leveraging data-driven insights to identify emerging skills and market trends, and building a strong employer brand to attract top talent.

Source: PwC Hopes and Fears Survey 2024

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

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

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

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

Leverage technology for operational efficiency

Technological disruptions such as GenAI could change the way HCM 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

HCM players are transforming their operations by integrating advanced technologies like AI-driven candidate matching and automated applicant tracking systems. These tools streamline the hiring process, reduce administrative burdens, and enhance candidate experience by providing more accurate and faster placements.

Embracing data analytics allows for informed decision-making and strategic insights, optimising recruitment efforts and improving overall operational efficiency in a competitive landscape.

[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 Gen AI 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:

Efficiencies in my employees' time at work	64%
Efficiencies in my own time at work	58%
Profits	52%
Revenue	45%

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.

Many recruitment and staffing organisations are staying ahead by adopting a proactive talent acquisition strategy. They are leveraging data-driven insights to understand emerging skills and market trends, building a strong employer brand to attract top talent, and fostering a dynamic talent pipeline through continuous engagement and upskilling initiatives. By aligning their recruitment strategies with evolving organisational needs, HCM companies are preparing for future challenges and opportunities.

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

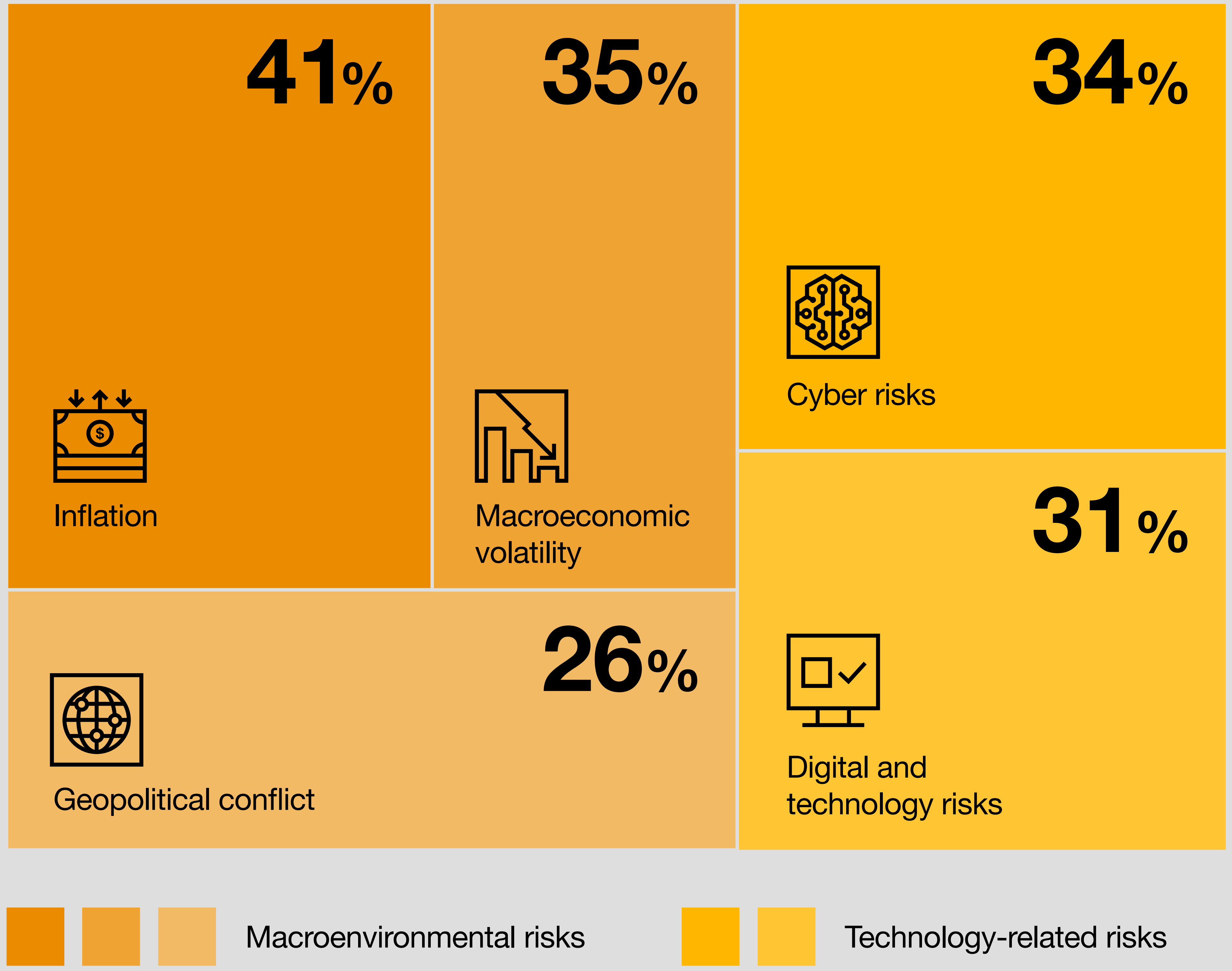
Furthermore, players must upskill talent by providing AI-focused training, such as courses on machine learning or data analytics. For instance, they might partner with educational platforms to offer certifications in AI technologies. To hire skilled talent, they may use AI-driven recruitment tools to identify candidates with expertise in AI and data science, thereby enhancing alignment with emerging industry needs.

Build a thorough risk management practice to seize opportunities

Reinvention comes with risk, therefore, HCM 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

HCM 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:

No plans/ unsure	Planned for next 12 months	Already invested
14%	26%	60%

Source: PwC Global Risk Survey 2023

Link responsible GenAI to the business strategy

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

In conclusion…

With a series of challenges faced by the sector, it is inevitable for HCM businesses to look beyond the traditional norms to achieve differentiated growth

After the hiring freezes and layoffs during the pandemic, the ‘Great Resignation’ phase in 2021 and early 2022 proved to be a boom for recruitment companies across the globe. However, 2023 brought a series of economic challenges such as inflation, wars, sector slowdowns and related macro shocks, impacting consumer sentiments and recruitment needs of clients. To address the slowdown, HCM businesses are diversifying their portfolios to include interim staffing solutions that are seeing a high demand in the short-term, as well as offering more specialised and future-proof talent for skills such as AI and ESG. To improve their own profitability and productivity, firms are aggressively restructuring and investing in technology to automate certain processes and even offer digital solutions to clients.

Business Services Enabling Differentiated Growth for Industrial Players

In addition, the overall business services industry, including the HCM 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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